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EARNINGS IN THE BOOT AND SHOE INDUSTRY

I. INTRODUCTORY

The section of the industry with which we are concerned is leather footwear manufacture, and the workers covered are only those directly concerned with production.[1] We shall not be dealing with the smaller and more specialised branches such as slipper, clog, and rubber footwear making. We are also excluding the repairing (and bespoke) side, which differs from manufacturing in many respects : with few exceptions it is carried on in a large number of very small establishments and there is therefore little scope for the organisation of labour or of employers—minimum wages being fixed by a Wages Council.

The detailed statistics of earnings on which much of this article is based[2] have been put at our disposal by the Incorporated Federated Associations of Boot and Shoe Manufacturers (referred to below as ' the Federation '). We are most grateful to the Federation—as well as to the National Union of Boot and Shoe Operatives—for their very generous help and advice; but they are not, of course, in any way responsible for the way in which we have used the material. The Federation now covers about 80 per cent of the workers in the industry, these workers being employed in about 470 out of the total of over 900 firms. A further 10 per cent is accounted for by the Rossendale group of firms, which have a separate local organisation; and the rest are in unfederated firms—most of them very small.

Development of the industry

Footwear, like many other domestic necessities, was originally made on a small scale all over the country. Owing however to the local availability both of hides and tanning bark, the industry gravitated to the Midlands. As far back as the Civil War, Northampton was making army boots in large quantities; and in the eighteenth century footwear from Northampton (and Stafford) was being sold in London. By the mid-nineteenth century Northampton was not only sending its boots and shoes to London and other towns, but also had an export trade. However, its supremacy was soon challenged. American machinery was beginning to be used for one process after another: in Northampton, where the number of shoemakers was exceptionally high, its introduction was strongly resented and in 1858–59 there was a strike movement which lasted for 20 months, including a general stoppage of 9 weeks. But the journeymen who left Northampton soon found that even elsewhere they had to work with the new machines.

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[1] Clerks, engineers, mechanics, sweepers-up, ' labourers and odd-job men not engaged in actual manufacturing ', and certain other ancillary workers are outside the wage structure described and are not, of course, covered by the earnings data.

[2] The sources of all tables are given in Appendix A.

The dislocation of the industry in Northampton provided the opportunity for the development of Leicester. Here there was not the same opposition to machinery : it was used more freely, and American designs were improved upon. (Nearly all British shoemaking machinery is still made in Leicester.) Leicestershire and Northamptonshire remain the chief manufacturing areas, and still contain more than half the total labour force. The industry has also developed in London, but not to so great an extent : even in the early nineteenth century the London workers were well organised and could demand high wages, and since before mechanisation wages were a relatively larger proportion of total costs it was difficult to produce footwear in London which could compete with that of Northampton. This wage differential between London and Northampton workers seems to have persisted throughout the nineteenth century, though by 1906 it had almost disappeared.

Boot and shoe manufacture is also carried on in Norwich, where it was deliberately introduced after the loss of the woollen trade to Yorkshire during the eighteenth century; in certain great provincial towns such as Bristol, Leeds, and Glasgow; and in a few outlying places such as the East of Scotland, Somerset, and the Rossendale valley. While the different districts do not specialise rigidly in the manufacture of any one type of shoe, Northamptonshire is best known for men's footwear and Leicestershire for women's; high-quality women's footwear is made in Norwich and London. Many of the cheaper grades of women's and children's shoes come from Lancashire; the Rossendale area specialises in slippers and clogs, and is isolated from the other manufacturing areas (both the union and the employers' association have always been independent of the national organisations).

The main departments, which form the basis of the occupational classification used in this article, are as follows : clicking (cutting out the uppers), closing (stitching them together), press (cutting out and preparing the soles, and also the heels unless these are of a special type and made in a separate factory), lasting (joining soles to uppers), heeling (putting on the heels), finishing (trimming, etc.), and shoe room (cleaning and polishing). These departments vary considerably in size, and in each of them there is a marked predominance either of men or of women (Table I). Closing and shoe room are almost exclusively women's departments, and clicking, press, lasting, and finishing almost exclusively men's. Where women work on men's operations they are paid men's rates, although otherwise their rates are lower.

Labour force

Since the advent of machine production, the industry has been comparatively small : during the present century (except in wartime, when employment was considerably reduced) the number of workers has varied

TABLE I

Departmental Distribution of Labour Force in February 1949

Department	*Number of workers[1] in department*	*as % of total*	*Percentage of females in department*
Clicking	8,142	13	6
Closing	19,622	32	98
Press	4,738	8	14
Lasting	12,570	21	4
Heeling	2,197	4	23
Finishing	7,409	12	3
Shoe room	5,796	10	87
All departments ...	60,474	100	44

[1] *I.e.* as covered by Federation data.

TABLE II

Regional Distributions of Labour Force in September 1906 and February 1949

	1906			*1949*		
	Percentages of			*Percentages of*		
	men	women	juveniles[1]	men	women	juveuiles[1]
London	50	28	22	42	41	17
Midlands[2]	51	21	28	55	35	10
Bristol and Kingswood	52	22	26	47	35	18
Norwich	50	26	24	46	37	17
All districts	51	22	27	51	35	14

[1] *I.e.* workers not yet earning full adult wages (the age limits changed between 1906 and 1949: see Appendix D, Table 2, note 1).

[2] *I.e.* the 5 manufacturing districts of Northamptonshire and Leicestershire (see Table V).

between 100,000 and 130,000 and is now a little over 100,000. The proportion of adult women increased fairly consistently from about 22 per cent of the whole labour force in 1906 to 35 per cent in 1949 while that of juveniles dropped correspondingly from 27 to 14. Table II shows how these changes affected the different areas. There are still a number of outworkers, occupied chiefly on closing, and this is partly a survival from the days of domestic industry. These outworkers (not covered by the present study) are mainly women: there were some 2,000 of them in the mid-thirties, but since then their number appears to have about doubled.[1] This is partly a result of the labour shortage, but is also partly due to the retirement of some married women from the factories: work at home is more convenient for them, and often more paying because of the difficulty of fixing standard prices where domestic conditions vary widely. The union has long-standing objections to outwork and has more than once taken the matter to arbitration in an attempt to secure its limitation and eventual abolition. Rather than encourage outwork, some manufacturers have established closing rooms in villages to overcome the shortage of female labour; closing factories have also been set up at certain seaside resorts, these being run under contract by firms specialising in this operation.

[1] See *Working Party Report on Boots and Shoes,* 1946, p. 175; *Census of Production,* 1948.

II. The Basis of Payment

The main method of payment in the industry was originally the piece rate; but the spread of mechanisation made the previous piecework statements obsolete. The issue of piecework versus daywork was the underlying cause of the famous dispute of 1895, in which both sides behaved with conspicuous obstinacy.[1] The manufacturers, on the introduction of machinery, had wanted to impose daywork so as to prevent earnings rising above their existing level regardless of any increase in output or effort that might be involved; the operatives wanted virtually all the gain from increased output to be passed on to them in earnings. The occasion of the dispute was the determination of the lasters and finishers not only to resist daywork but also to retain their existing piecework price lists, which had been set for hand-produced footwear and which machine production would have made unreasonably profitable. Eventually it was agreed under the Terms of Settlement (which regulate relations to this day) that new piecework statements should be drawn up and the manufacturers might decide the method of payment they preferred, so long as all the operatives working on any one process were paid on the same system and the method was not changed more than once in six months.[2] This was the last national dispute in the industry, and after it a Trust Fund of £2,000 was established to which both Federation and Union contributed equally : either party, if judged to be responsible for a stoppage or other breach of agreement, was liable to forfeit all or part of its deposit. The settlement of 1895 has, in fact, been instrumental in securing for the industry a notable record of industrial peace.

By the Terms of Settlement, the Local Boards of Arbitration were reconstituted, and in most districts these Boards fixed minimum time rates for adult men in certain departments. They also drew up piecework statements.

National minimum time rates

The foundations of national wage settlement were laid—as in so many other industries—during the first war when, to meet the rapidly rising cost of living, flat-rate bonuses were granted to dayworkers and pieceworkers alike; and from 1919 national minimum time rates for men and for women have been settled by the National Joint Conference, usually held biennially. (For juveniles, minimum rates are graded according to age.)[3] Automatic adjustments to these rates are made—roughly equal in percentage terms for men and women—according to agreed scales linked with the cost-of-living index; but there have also been several special increases, all of which have narrowed the differential between men and women. Until 1939 the cost-of-living sliding scales operated annually, but thereafter monthly : changes were made at

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[1] See Webb, *Industrial Democracy* (1919 edn.), pp. 396–406 ; Hoffman, *The Late Boot War, Economic Journal,* June 1895 ; Brunner, *The Origins of Industrial Peace* : *The Case of the British Boot and Shoe Industry, Oxford Economic Papers,* June 1949.

[2] National agreements now contain a clause requiring that four weeks' notice be given to workers of any change from daywork to piecework or *vice versa.*

[3] See Appendix D.

10-point intervals until the Interim Index of Retail Prices was introduced in mid-1947, when they were made at 5-point intervals since these correspond to the 10-point intervals of the original Ministry of Labour index. Table III (p. 34) shows when and how these changes took place.

Over the period as a whole the women's rate has risen rather faster than the men's. Before the first war, as far as can be judged, the ratio of women's to men's rates was generally about 60 per cent, but the women lost ground during the war and when the national minima were established it was as low as 54 per cent. This was rectified in 1920, at the height of the inflation, by giving the women a disproportionate increase which brought it back to nearly 60 per cent; and it remained at about this level until 1936 when a special increase confined to women took it up to 67. A further advance was made in 1946 when, as the result of another differential increase, the women's rate reached 73 per cent of the men's. This is a rather higher level than in many industries,[1] but women's work is well established in shoemaking; moreover, a relatively high rate affords some compensation for the shorter hours worked by many women.

There are no nationally-recognised regional differentials over these minimum rates. In this respect also the industry differs from many others—for example, engineering and building—where much of the original multiplicity of regional rates was ' frozen ', temporarily at least, when negotiations were first conducted nationally.

Piecework statements

Minimum time rates are, as their name implies, no more than a ' floor ' for earnings. As we have seen, shoemaking is by tradition a piecework industry; and daywork was generally introduced only when there appeared to be no other means of breaking the old piecework statements rendered obsolete by mechanisation. Half the women and well over half the men are now again paid by the piece; and in most cases even dayworkers' wages are supposed to be related directly to piecework statements and thus only indirectly to minimum rates. It is therefore reasonable to consider the piecework system first.

Because of the great variety, in type and quality, of the final product, piecework statements are settled on a district basis by the local Arbitration Boards, or sometimes by shop arrangement subject to the Boards' approval. These statements are often very detailed since payments are prescribed for hundreds of small operations. To a large extent these operations are standard operations carried out on standard[2] machines; but as the statements are

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[1] According to tables compiled by the Federation for 1949, the women's rate was higher, compared with the men's, in shoemaking than in over four-fifths of the industries where comparable minima existed.

[2] Between 80 and 90 per cent of the machinery used—except for closing—is supplied, mainly on lease, by the American-controlled British United Shoe Machinery Company. Up to 1952 this company's monopoly position was strengthened by ' tied ' leases, requiring any firm using the main machines to use B.U.S.M. machines for subsidiary operations also. The other main sources of machinery are—for closing—the Singer Sewing Machine Company (also American-controlled) and the Standard Engineering Company (which is British).

TABLE III

Minimum Time Rates[1]

	Men's rate		*Women's rate*	
	cost of living[2] changes	other changes	cost of living[2] changes	other changes
Position at December 1919 ...	**56/-**		**30/-**	
Change at 1920 April		+12/–		+10/–
1922 February	—4/–		—2/–	
May	—4/–		—2/–	
1923 June	—4/–		—2/–	
November ...	+4/–		+2/–	
Position at December 1925	**60/-**		**36/-**	
Change at 1926 June	—4/–		—2/–	
November ...	+4/–		+2/–	
1927 November ...	—4/–		—2/–	
1931 November ...	—2/–		—1/–	
Position at December 1933	**54/-**		**33/-**	
Change at 1936 June[3]				+ 3/–
1937 November ...	+2/–		+1/–	
1938 June[4]		+ 2/–		+ 1/–
Position at August 1939	**58/-**		**38/-**	
Change at 1939 December	+3/–		+2/–	
1940 February	+3/–		+2/–	
July	+3/–		+2/–	
December	+3/–		+2/–	
1942 February	+3/–		+2/–	
March	—3/–		—2/–	
October	+3/–		+2/–	
November ...	—3/–		—2/–	
1944 January		+ 4/–		+ 4/–
September ...	+3/–		+2/–	
Position at December 1945	**77/-**		**52/-**	
Change at 1946 January		+ 8/–		+10/–
1948 January[5]		+15/–		+10/–
September ...	+4/–		+3/–	
October	—4/–		—3/–	
1949 February	+4/–		+3/–	
1950 July	+4/–		+3/–	
November ...	—4/–		—3/–	
December	+4/–		+3/–	
1951 June	+4/–		+3/–	
August	+4/–		+3/–	
1952 January[6] ...	+4/–		+3/–	
April	+5/–		+4/–	
September ...	+5/–		+4/–	
1953 July	+5/–		+4/–	
August	—5/–		—4/–	
September ...	+5/–		+4/–	
November ...	—5/–		—4/–	
Position at December 1953 ...	**130/-**		**95/-**	

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[1] There were no national minimum rates until 1919. There were however often locally agreed minimum rates for the different departments. These ranged from 24/– to 30/– for

[Notes continued on next page

designed to secure consistency in earnings, different prices may be set for similar operations to allow for differences in the quality of work : for example, it is partly for this reason that piecework prices are higher in Northampton itself, where the better-quality men's footwear is made, than in the county. In 1919, and again in 1931, piecework statements were adjusted to ensure earnings at least 25 per cent above the minimum time rates, or 37½ for workers performing operations where ' exceptional skill or length of training is required '. Although the higher rate for skilled workers had been tacitly acknowledged for some time, the union was unable to secure a specific reference to it in a National Conference Agreement until January 1952. This skill differential is the only one recognised by national agreement.

Since 1919, percentage adjustments have been made to all piecework prices in accordance with the changes in minimum rates. As however piecework earnings usually tend, over time, to ' run away ' from rates, as improved machinery and methods of work bring increased productivity, the adjustments have been made according to scales designed to give proportionately smaller increases in piecework prices than in minimum rates when the cost-of-living index rises—and therefore smaller decreases when it falls. Thus pieceworkers, most of whom normally earn more than dayworkers, have gained in times of depression unless, as is conceivable, they have borne the brunt of below-capacity working.

The adjustments to piecework pieces are compared with the alterations to minimum rates in Table IV (36). When the standard week was reduced in 1936 and again in 1938, no compensating increases were added to piecework prices; the time rates are therefore given on an hourly basis so as to show the relative advantage gained by dayworkers at these dates. While, as we have seen, the women's minimum rate has gained throughout relative to the men's, the increases in piecework statements both for men and for women have, remarkably enough, kept in step until recently.

Dayworkers' contract rates

Even of dayworkers only a minority are paid at minimum rates. In practice, ' a considerable number of dayworkers have a wage calculated by

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men in 1906, and were at about the same level in 1914—by when the minima for women had been fixed at 17/– to 18/–. Minimum rates in the heeling department and the shoe room had always been at the lower end of the scale, and here a 3/– differential persisted until June 1926.

[2] From February 1922 to June 1926, *ad hoc* cost-of-living adjustments were made. Since November 1926, cost-of-living sliding scales have been in operation. Up to the war, annual adjustments were made, if necessary, in November—in accordance with the cost-of-living index figure published in the September issue of the *Ministry of Labour Gazette*. From the end of 1939 such adjustments have been made monthly. When the Interim Index of Retail Prices was introduced in mid-1947, the lag in adjustment increased from 2 months to 3, because this index relates to mid-month figures and is not published until the following month.

[3] Standard week reduced from 48 hours to 46.

[4] Standard week reduced to 45 hours.

[5] Increases associated with change to new index.

[6] Increases associated with alteration of sliding scale under new agreement so that all changes were to be made 3 points earlier than before.

TABLE IV

Changes in Time and Piece Rates
All figures are given as percentages of 1919 levels

	Men		*Women*	
	hourly minimum time rate	piecework prices	hourly minimum time rate	piecework prices
Position at December 1919 ...	**100**	**100**	**100**	**100**
Changes 1920–25 from :				
special increases 1920 April ...	+21½	+10	+33¼	+10
c. of l. net adjustments	*—14½*	*— 7½*	*—13¼*	*— 5*
Position at December 1925 ...	**107**	**102½**	**120**	**105**
Changes 1926–33 from :				
c. of l. net adjustments	*—10¼*	*— 6¼*	*—10*	*— 7½*
Position at December 1933	**96¾**	**96¼**	**110**	**97½**
Changes 1934–39 from :				
reductions in standard week ...	+ 6¾		+ 8	
special increases 1936 June ...			+10	
c. of l. net adjustments	+ 7	+ 6¼	+ 7	+ 5
Position at August 1939	**110½**	**102½**	**135**	**102½**
Changes 1939–45 from :				
special increases 1944 January...	+ 7½	+ 3¾	+14	+ 3¾
c. of l. net adjustments	+28½	+21¼	+35¾	+21¼
Position at December 1945 ...	**146½**	**127½**	**184¾**	**127½**
Changes 1946–53 from :				
special increases 1946 January...	+15¼	+ 5	+35½	+10
1948 January...	+28¾	+10	+35½	+15
c. of l. net adjustments	+57	+35	+81¾	+35
Position at December 1953 ...	**247½**	**177½**	**337½**	**187½**

relation to a piecework statement '[1] : that is, they are paid by contract rate. The theory of the contract rate is that the dayworker contracts to do an agreed quantity of work per week for a given rate and that this rate is based on the appropriate piecework prices : in the language of national agreements, ' the daywork weekly wage shall be an agreed wage as between the operative and employer and shall be based upon the earnings of the operative reckoned at statement prices fixed or approved by the Local Arbitration Board '[2]. For any work in excess of the agreed quantity, it is stated, the worker should be paid extra at statement prices, corresponding reductions being made—subject to specified conditions[3]—for any deficiency.

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[1] *Productivity Team Report on Footwear,* October 1951, p. 12.

[2] Clause in 1934 and subsequent agreements.

[3] Special written permission has to be obtained from the union or the Local Arbitration Board before a worker may be paid at a rate below the minimum.

Thus on paper—as is perhaps to be expected in an industry with so strong a piecework tradition—the distinction between piecework and daywork is tenuous and on occasion confusing. A classic instance of the confusion is to be found in Clauses 14 and 23 of the important National Conference Agreement of 1931 (when all piecework statements were overhauled):

> ' 14. *Daywork Quantities*
>
> ' Where daywork conditions obtain, the output required of an operative shall be determined by the piecework quantities, if any,[1] corresponding to the wages paid to him. To avoid misunderstanding it is declared that this provision does not affect the right of an operative to be paid not less than the rate of wages at which he is engaged as a dayworker.
>
> ' 23. *Basis of Piecework System*
>
> 'All manufacturers and operatives shall accept in their entirety as a basis of payment the Piecework or Quantity Statements compiled by the local Arbitration Board. The system shall be termed a Daywork system, and the wages of the operatives shall be regulated and adjusted weekly according to the amount of work done at the prices fixed by the Statements for each operation or process.'

Although these obscure clauses disappeared from later agreements, the formal distinction between daywork and piecework has remained a fine one in so far as many dayworkers should, technically, be paid by results.

But the distinction is not so fine in reality. In the first place the dayworker's contract rate relates to an ' agreed quantity ' of work whereas the pieceworker's wage does not. Secondly, the dayworker's guarantee (if sufficient work should happen not to be available for the worker while in the factory) was originally at least rather more generous than the pieceworker's,[2] which suggests that—as we shall see later is still the case—it was the dayworker rather than the pieceworker whose work-flow was liable to fluctuate. Thus the dayworker had some compensation, in terms of security, for a lesser opportunity of earning. Thirdly, the dayworker's wage is less closely geared to piecework statements than the pieceworker's: for while the dayworker's is an ' agreed wage . . . *based upon* the earnings of the employee reckoned at statement prices ', the pieceworker's is tied to the acceptance of the prevailing statements ' *in their entirety* '[3]. This implication is borne out by two further points. The first is the method by which contract rates are altered: for all[4] cost-of-living increases to minimum rates are added to contract rates, whereas if the contract rates were closely linked to piecework statements they should be kept in line by the adjustments made to these statements. The second is that (as is evident from the 1949 distributions given opposite) contract rates are not distributed evenly, but tend to fall at intervals of 5s. This again indicates that the fixing of these rates is a comparatively rough-and-ready process. Nor, despite the terms of the agreement, are dayworkers' earnings nowadays much affected by their doing more or less than the ' agreed quantities ' of work.

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[1] Certain jobs performed by dayworkers are ancillary rather than directly productive, and in such cases there might be no corresponding " piecework quantity ".

[2] Under the Essential Work (Boot and Shoe Industry) Order, 1942, the dayworker was guaranteed his full contract rate per hour spent in the factory, but the pieceworker only seven-eighths of his regular hourly rate (calculated on the basis of a normal month's earnings excluding overtime) providing that this did not fall below the minimum. (This guarantee against shortage of work—*i.e.* against a ' failure to earn accustomed rate ' during time actually spent in the factory—is to be distinguished from the guarantee against short time which is discussed in the next section.)

[3] See National Conference Agreements.

[4] The two special increases in minimum rates made in January, 1946, and January, 1948, were, however, to be applied to contract rates only *pro tanto*—that is, the higher the existing contract rate the smaller the increase due, down to a specified limit. There are indications (see p. 45) that this may in fact have been achieved—at any rate, with more success than in engineering under the similar *pro tanto* agreement of November 1950

The average levels of contract rates[1] are given in Table V for February 1949, where they are compared with the prevailing minima of 140s. (men) and 75s. (women). For men, the average excess of contract rates was considerably larger in London than in the Midlands, and rather smaller in the outlying districts of Bristol and Norwich. For women the same general relation held, although the excess was always smaller and in two districts—Kettering and Bristol—there was a deficiency. This is partly accounted for by the presence of part-time women workers, for their contract rates are related to a short week. But even for full-time workers, women's contract rates are closer to their minimum rates than men's to theirs : the original establishment of the national minima set a ' floor ' which was probably higher, in relation to existing rates of pay, for women than for men; and, as the women's minimum has advanced more rapidly than the men's, the humping of women's contract rates at the lower end of the distributions has persisted. In February 1949, for example, 44 per cent of women were on their minimum rate and a further 30 per cent were rated only 5s. above it, whereas the corresponding figures for men were only 16 and 18 per cent. The detailed[2] frequency distributions of the contract rates of full-time dayworkers at this time are given in Diagram I. The extent to which men's and women's rates may have overlapped is uncertain from the distributions; but the strength of London and relative weakness of Bristol and Norwich are evident.

TABLE V

Average Contract Rates in February 1949

District	*Average contract rates*			
			as % of respective minimum rates	
	men	women	men	women
London	135/7	82/5	130	110
Midlands	116/8	77/1	112	103
Kettering	*117/3*	*71/8*	*113*	*96*
Leicester	*118/–*	*78/8*	*113*	*105*
Leicester County	*115/11*	*75/7*	*111*	*101*
Northampton	*115/–*	*80/10*	*111*	*108*
Rushden	*116/11*	*76/2*	*112*	*102*
Bristol and Kingswood	112/11	72/10	109	97
Norwich	109/6	76/1	105	101

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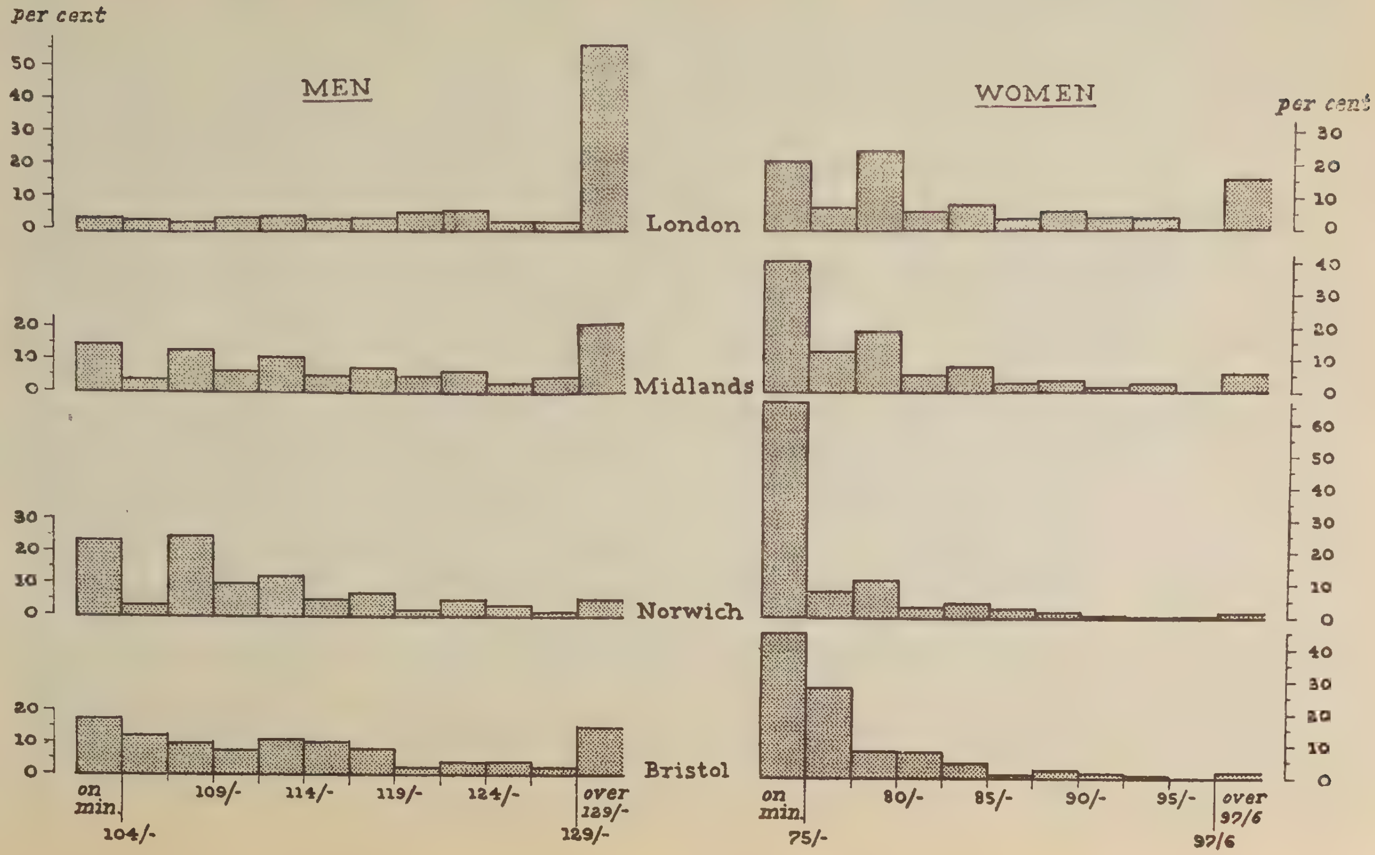
[1] *I.e.* the figures of ' average full basic wage for purpose of guarantee ' (see above).

[2] Because the distributions for the five Midlands districts are similar, they have been aggregated (the figures are given in full in Appendix B).

I. Proportions of dayworkers on various contract rates in February 1949



Regulation of hours of work

Before 1919 the standard week was 52½ hours, from then until June 1936 it was 48 hours, for the next two years 46 hours, and ever since June 1938 it has remained at 45 hours. During the war, although the standard week was not altered, it was agreed that men should work 52 hours and women 48 if necessary; but, at any rate after 1942, hours worked can seldom have reached these levels. Before the first war, overtime was limited to 5 hours in any one week and to not more than three consecutive weeks; for nine weeks in the year it was paid at plain time rates and only thereafter at time-and-a-quarter. This limitation on overtime was afterwards lifted and, since the 1931 Agreement, overtime rates have been fixed at time-and-a-quarter for weekdays and time-and-a-half for Saturday afternoons—pieceworkers being paid at 25 and 50 per cent above their statements. (For work on Sundays and statutory holidays, double pay is given.) But these rates are to be paid only on hours worked in excess of the standard week[1] and not, as for example in engineering, on a daily basis; indeed, the agreed provisions relating to overtime appear less generous than in most industries.[2]

This is largely explained by the hours customarily worked in shoemaking. In general, the greater the likelihood of extra hours being called for, the keener are trade unions to penalise overtime by pressing for the payment of enhanced rates whenever hours worked exceed the standard daily number—and in some cases whenever work is done outside the normal working times. (Employers are, moreover, sometimes the readier to make concessions here since—as is not the case when wage rates are raised—they are not liable to pay in times of depression. [3]) In the boot and shoe industry, however, there has been no such incentive to tighten up overtime conditions. Sunday work has been officially deprecated in the strongest terms;[4] long hours are exceptional, and the average actually worked has usually fallen well short of the standard week both for men and women—particularly of course for the latter since so many of them are taken on as part-timers. In 1949, for instance, out of some 30,000 female workers (five-sixths of them adults) covered by the Federation enquiry,[5] no less than 42 per cent were officially permitted to work less than the standard week: 25 per cent being on short time (*i.e.*

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[1] In June 1936, when the standard week was reduced from 48 to 46 hours, overtime rates were still not paid until after 48 hours had been worked—so that the reduction in hours meant that no more than that the plain time rate was payable for the shorter period. In June 1938, however, when the standard week was further reduced to 45 hours, overtime premia were payable on all hours worked in excess of this.

[2] However, it is said to be common practice to pay the enhanced rate for overtime worked on particular days in a week, even though it may be outweighed by short-time working on other days—so long as it is not the worker who is to blame for the latter by having taken time off.

[3] See *Rates and Earnings in London Transport*, BULLETIN, August, 1953, p. 286.

[4] The National Conference of 1945 resolved that ' the productive employment of operatives on a Sunday is undesirable and, under no circumstances, should be resorted to. It is recognised that following fire, flood, breakdown of machinery, etc., the need for the employment of non-productive labour on a Sunday may arise.'

[5] This analysis of the hours worked by women was based on a rather larger sample than the Federation earnings enquiry conducted at the same date, and happened to include about 4,000 more adults apparently working very short hours.

working less than 45 but more than 35 hours) and the remaining 17 per cent being part-time workers (working 35 hours or less). The part-timers were virtually all adults, and those in the lowest group of the distribution—5 per cent of all female workers—had working weeks of less than 22½ hours. Similar proportions obtained in 1951 and 1953, when 46 and 50 per cent of all women and girls employed had permission to work less than the standard week—18 and 15 per cent respectively being part-timers. Thus part-time working for women is inherent in the industry, as is natural enough where four-fifths of the female workers are married.[1]

Short time, of course, tends to affect men as well as women, although since 1942—when the first guaranteed week agreement was made under the Essential Work Order—workers have had some little protection against it. Originally, both dayworkers and pieceworkers were guaranteed the minimum time rate for all short time (time ' spent out of the factory on the employer's instructions ' during the standard 45-hour week); but since the war the dayworker has been guaranteed only 75 per cent of his contract rate and the pieceworker 75 per cent of his normal[2] earnings for a standard week[3]. By and large, guarantee make-up of all kinds has been small : in very few cases has it amounted to more than 1 per cent of the average weekly earnings of men or of women—dayworkers or pieceworkers—in any district.[4]

III. Earnings

The earnings data made available by the Federation consist primarily of averages of the weekly earnings and hours worked of men and of women (dayworkers and pieceworkers separately), in each of the seven departments and the eight main districts, for specimen weeks in alternate years from 1939 to 1949 and also in 1946. (Separate figures for juveniles are given from 1943, and for workers over pensionable age from 1945). There are also less detailed surveys for 1951 and 1953. Distributions of full-time dayworkers' contract rates are given for 1947, 1949, 1951, and 1953, and of full-time pieceworkers' earnings for the three latter years : for 1949 these are broken down by districts. In addition, we have the comprehensive Earnings Enquiries of 1906 and 1938 and, of course, the regular bi-annual enquiries of the Ministry of Labour.

Relation of earnings to rates

The average weekly earnings of dayworkers differ from minimum rates for a number of reasons : (i) they may be working more or less than a standard week; (ii) they are often on contract rates above their minima, and (iii) their pay may still be affected by the quantity of work actually done; (iv) they may very occasionally receive certain special payments.[5] Moreover (v) some of them have been receiving make-up under the E.W.O. guarantees already mentioned, although this has, on average, never been large. Pieceworkers' average earnings are not only affected by hours worked and by quantities of work done, but also by the ' looseness ' or ' tightness ' of piecework prices; they may, too, include some element of (iv) and (v) above. Table VI, which shows the average weekly earnings of men and women dayworkers and pieceworkers, also shows the divergence of these earnings from their respective minima (minimum rates for dayworkers, and ' expected minima ' of 25 per cent above minimum rates for pieceworkers). Since average weekly earnings

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[1] See *Working Party Report on Boots and Shoes*, 1946, p. 160.

[2] *I.e.* reckoned over a specified period of 'four full weeks of normal productive employment.'

[3] For part-timers, the length of the ' week ' guaranteed has to be settled by special agreement in every case.

[4] In the present article we are therefore not excluding guarantee make-up from average weekly and hourly earnings.

[5] *E.g.* incentive payments introduced by particular firms, or special cost of living bonuses of the kind referred to in para. 2, 4, of *Research Report No. 116* of the British Boot, Shoe, and Allied Trades Research Association (September 1950).

TABLE VI

Earnings in Relation to Minima[1]

Year and month[2]	*Average weekly earnings*				*Average earnings*[3] *as % of minima*[1]			
	men		women		men		women	
	day	*piece*	*day*	*piece*	*day*	*piece*	*day*	*piece*
1906 September[4] ...	26/7	23/6	12/2	13/5	103	—	—	—
1938 October ...	60/5	67/7	35/8	40/4	104 *105*	93 *99*	94 *98*	85 *89*
1939 November ...	62/–	76/8	38/2	45/4	107 *105*	106 *106*	101 *101*	95 *97*
1941 February ...	72/10	91/10	44/–	53/1	104 *103*	105 *106*	96 *98*	92 *95*
1943 September ...	83/9	112/6	47/7	63/4	120 *114*	129 *125*	104 *108*	110 *116*
1945 September ...	91/–	121/9	51/3	67/6	118 *121*	126 *129*	99 *107*	104 *116*
1946 November ...	95/9	117/7	59/–	74/6	113 *115*	111 *118*	95 *105*	96 *106*
1947 June	97/2	123/6	59/9	76/4	114 *118*	116 *121*	96 *108*	98 *110*
1949 February ...	117/10	149/4	71/8	93/3	113 *114*	115 *118*	96 *107*	100 *112*
1951 June[5]	134/6	170/11	79/4	103/2	120 *119*	122 *122*	98 *108*	102 *115*
1953 May[5]	156/8	199/5	92/11	118/2	120 *118*	123 *123*	98 *108*	100 *111*

[1] *I.e.* for dayworkers, the minimum time rates; for pieceworkers, an ' expected minimum ' of 25 per cent above these rates.

[2] *I.e.* when specimen pay-week occurred.

[3] Italicised figures are based on average hourly earnings. A rough correction has been made for enhanced overtime earnings when the average hours worked exceeded 45.

[4] In 1906, locally agreed minimum time rates for adult men in the clicking, press, lasting and finishing departments existed in Bristol, Kettering, Leicester, London, Northampton, and Northamptonshire. In arriving at the percentage figure an average minimum time rate was calculated by weighting the district rates by the numbers of workers in the appropriate occupations as given in the 1906 *Earnings Enquiry*. There is no record of minimum rates for women; nor of an agreed relation between daywork and piecework wages.

[5] Figures exclude workers over pensionable age.

—particularly the womens'—are affected by the very variable hours of work, the relationships of earnings to minima are also shown (italicised) in hourly terms, corrected for overtime where necessary.[1] The average hours worked by women, always low owing to the inclusion of part-timers, came near the standard 45 only at the beginning of the war when women were replacing men and before production had been adjusted to wartime needs; by 1943 they were again, on average, working a short week while the depleted force of men were doing an appreciable amount of overtime.

Even in hourly terms, however, the excess of earnings over minima has always been smaller for women than for men. Women's piecework prices appear to be tighter than men's: in fact, pieceworking women failed, on average, to secure even their ' expected minima ' before 1943. In so far as piecework prices do—as intended—determine dayworkers' contract rates, this would partly account for women's daywork earnings having always lain closer to their minimum rates than men's to theirs—in 1938 and 1941, indeed, many women dayworkers were apparently earning at a sub-minimum rate.[2]

During the war the pieceworkers substantially improved their position as against dayworkers. In 1938, dayworkers' earnings were higher relative to minimum rates than were pieceworkers' relative to their ' expected minima '; but since 1939 for men, and since 1943 for women, the pieceworkers' excess has been the larger. This gain was probably associated with wartime standardisation in footwear, resulting in longer production runs and therefore in increased productivity—from which pieceworkers are always the prime beneficiaries; and even since the war, despite a big increase in the number of styles produced, the pieceworkers' lead has not been lost—even though for men it has been substantially reduced. For all categories, hourly earnings were considerably above minima by 1943; and for men, as they returned to the industry in 1945, the excess rose still further. By 1946, however, it had fallen for all workers—pieceworkers, as in other industries, suffering more from readjustments than dayworkers, whose rate of earning is less sensitive. In the following year, as peacetime production got into its stride, the excess rose once more; and, after a certain setback (particularly for dayworkers) during the period of the wage freeze, it had risen again by 1951 and except for pieceworking women it remained fairly stable. The net result of these changes has been that, while for all categories of workers the excess of hourly earnings over minima is far greater than it used to be, the decisive advantage gained by pieceworkers during the war has to some extent been whittled away.

But while for pieceworkers the rise in the excess can be mainly[3] ascribed to increased productivity, for dayworkers such an interpretation seems less plausible. It can of course be argued that, since some dayworkers perform ancillary operations, to this extent they have their share in the increased productivity of the pieceworkers; although where dayworkers and pieceworkers are doing comparable jobs the productivity of dayworkers has, as we shall see,[1] been found to be markedly inferior. Certainly their earnings have been very little affected by turning out more than their ' agreed quantities ' of work, as can be seen from Table VII. In this table the excess of daywork earnings over minimum rates (Column *f*) has been divided into two parts : one (Column *c*) showing how much is due to contract rates above the minimum, and the other (Column *e*) a residual showing how much is due to all other factors combined. The effect of varying hours of work is eliminated by taking earnings for a standard week.[2]

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[1] By this inevitably rough correction, any excess of average hours over 45 was reckoned as paid at time-and-a-quarter.

[2] In 1941 the average earnings of women dayworkers for a standard week, in every district except Northampton (and in almost all departments), fell below the minimum.

[3] Some of it could of course be due to other factors—for instance, to a raising of certain piecework prices to give earnings of 37½ rather than 25 per cent above minimum rates (see p. 35).

TABLE VII

Excess of Dayworkers' Standard-week Earnings[1] over Rates

	Minimum rate (*a*)	Average contract rate[2] (*b*)	*Difference between contract and minimum rates* (*b*)–(*a*) (*c*)	Average earnings for standard week (*d*)	*Difference between earnings and contract rate* (*d*)–(*b*) (*e*)	*Excess of earnings over minimum rate* (*d*)–(*a*) (*f*)
Men						
1943 September ...	70/–	78/5	*8/5*	80/–	*1/7*	*10/–*
1945 September ...	77/–	89/–	*12/–*	93/2	*4/2*	*16/2*
1946 November ...	85/–	96/7	*11/7*	97/7	*1/–*	*12/7*
1947 June ...	85/–	98/8	*13/8*	99/9	*1/1*	*14/9*
1949 February ...	104/–	117/1	*13/1*	118/10	*1/9*	*14/10*
Women						
1943 September ...	46/–	48/9	*2/9*	49/8	*–/11*	*3/8*
1945 September ...	52/–	55/–	*3/–*	55/5	*–/5*	*3/5*
1946 November ...	62/–	64/3	*2/3*	65/4	*1/1*	*3/4*
1947 June ...	62/–	65/–	*3/–*	67/–	*2/–*	*5/–*
1949 February ...	75/–	77/4	*2/4*	80/7	*3/3*	*5/7*

[1] Guarantee make-up (which in fact never exceeded 1d. on the average for either men or women dayworkers in these years) is not included in these figures.

[2] *I.e.* average full basic wage for purpose of guarantee. The inclusion of part-time women workers brings down their average contract rates, and thus somewhat distorts the relationships shown.

For men at any rate, by far the greater part of the excess has been due to high contract rates, and by comparison the influence of other factors has been negligible. Theoretically these residuals could be partly accounted for by workers doing more than their ' agreed quantities ', whether owing to looser pricing or to increased productivity; they could also include some element of special payments; and they could even be affected by heavy overtime working on the part of particular groups of workers. The figures in Column *e* are generally so small that it is impossible to draw conclusions from them, although in 1945 the residual gap between contract rates and earnings widened to 4s. 2d.—more than twice as much as in any other year. This widening could conceivably indicate a sharp increase in the productivity of men dayworkers, but as the pieceworkers' advance was slowing down by this time (Table VI), this seems unlikely. More probably, the widening is one reflection of an attempt to bring daywork earnings more into line with piecework earnings—if only to attract labour as men were being demobilised. Contract rates rose sharply: the gap between them and the minimum increased from 8s. 5d. to 12s.; and in this context the residual 4s. 2d.—supposing that explanations based on dayworkers exceeding their 'agreed quantities' are inapplicable—suggests either heavy overtime working in certain factories or a tendency, as in engineering, to supplement timework earnings by special payments.

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[1] See p. 50.

[2] The Federation figures of ' equivalent earnings per 45-hour week , which are not corrected for overtime, have been adjusted in the same way as the figures in Table VI.

By the end of the following year (1946) the post-war readjustment was complete. Contract rates had been stabilised (the slight reduction in the excess of these rates over the minimum was possibly a result of the *pro tanto* increase granted in the previous January[1]), and the residual gap between contract rates and earnings narrowed sharply. But by June 1947 contract rates had been raised once again, and their excess over the minimum reached a peak. In the following month the new Interim Index of Retail Prices was introduced, as the old cost-of-living index on which the sliding scales had been based had become patently obsolete; and thus, as the minimum rate was not increased when it was based on the new index, the raising of contract rates at this time may merely represent an alternative method of giving an overdue cost-of-living increase. More significantly perhaps, the increase in contract rates kept dayworkers' earnings rising at about the same pace as pieceworkers', and again it is tempting to regard it as tantamount to a pushing-up of lieu rates.[2] There was a lull in 1949, when again a slight reduction in the excess of contract over minimum rates may have resulted from a further *pro tanto* increase (that of January 1948); but by 1951, as we saw from Table IV, a further advance had occurred in the total excess of men's daywork earnings over the minimum—the ground gained being substantially held in 1953. Unfortunately we have no figures to show how completely the advance may have been accounted for by the raising of contract rates; but this was probably the main reason.

The corresponding breakdown for women is less informative, but it too indicates that the gap between contract and minimum rates is still usually the greater part of the overall excess of earnings over minima. This gap would of course be even wider, and the residual gap between contract rates and earnings narrower, were it not for the effect of including part-time women's contract rates in Column *b*.

Both for men and for women, the figures show that average contract rates usually lie very close to average earnings for a standard week. Thus any increases accruing to dayworkers through turning out more than the agreed quantity of work, even though these cannot be identified with certainty, are undoubtedly on average very small; and this means that the formal resemblance between the contract rate system and piecework is—as we have already suggested on other grounds—largely belied in practice. Contract rates are essentially time rates; and the adjustments to them (where these have not been automatic, and identical with those made to minimum rates) have corresponded to what in other industries takes the form of adjustments to lieu rates and other above-standard payments to time-workers. Such adjustments would appear to be related not so much to productivity as to the need to keep dayworkers' wages in step with pieceworkers' and sometimes, possibly, to attract labour in times of shortage.

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[1] See p. 37, n. 4.

[2] See p. 61, n. 1.

Pattern of earnings

(a) Spread

Since the beginning of the century the spread of earnings has narrowed for all categories of workers—the proportionately greater advance in the lower ranges being partly due, no doubt, to the establishment of national minima. The available data are summarised in Tables VIII and IX.[1] Table VIII shows that the spread of pieceworkers' earnings has always been smaller for men than for women, and that for both it is now considerably narrower than it was in the early years of the century—although recently there has been a slight tendency for earnings in the upper ranges to pull away. Table IX is an attempt to give the corresponding picture for dayworkers; but as we have no data on the distribution of daywork earnings after 1906 we have to rely on distributions of contract rates in the latter years. However, as contract rates are a fairly good guide to earnings for a standard week and as the spread of these rates is now considerably narrower than that of dayworkers' standard-week earnings in 1906, we may reasonably conclude that—unless hours worked were very irregular—the spread of dayworkers' earnings has narrowed. Thus the general pattern is similar to that of piecework earnings, except that with dayworkers the narrowing was especially marked for women—for them, the spread is now smaller than for men. This is probably due to the establishment of national minima having had a greater effect on women's daywork wages than on men's, as well as to the more rapid advance of the women's minimum.

Despite this narrowing, however, overall ranges of earnings are still fairly large, and measurements based on averages may in some contexts be misleading. This is probably no truer of shoemaking than of other manufacturing industries, but in our previous studies no wage distributions have been available to underline the fact. While the full ranges of boot and shoe earnings are not known because the Federation's distributions are open-ended, there were for example certainly 1.6 per cent of adult male pieceworkers earning less than 130s. and no fewer than 21.8 per cent earning more than 225s. in May 1953; and, although we cannot say precisely in what

[1] The distributions on which these tables are based are given in full (except those for 1906) in Appendix B.

Table VIII

Spread of Pieceworkers' Weekly Earnings

	Lower quartile	*Median*	*Upper quartile*	*Percentage deviation*[1]
Men				
1906 September ...	*under* 20/–[2]	22/10	29/5	*over 18*[2]
1949 February ...	132/5	148/2	166/3	*11*
1951 June	147/7	166/6	187/9	*12*
1953 May	172/11	195/11	220/11	*12*
Women				
1906 September ...	11/–	14/5	18/1	*25*
1949 February ...	80/4	94/2	109/6	*15*
1951 June	87/1	102/1	119/10	*16*
1953 May	101/–	118/–	137/8	*16*
Percentage increases				
1906–49 men	*over 562*[2]	*549*	*465*	
women ...	*631*	*554*	*505*	
1949–53 men	*31*	*32*	*33*	
women ...	*26*	*25*	*26*	

[1] Semi-interquartile range as percentage of median.

[2] In 1906, 36 per cent of men pieceworkers were in the lowest earnings class (under 20/–) it is therefore impossible to determine the lower quartile precisely.

Table IX

Dayworkers' Earnings for Standard Week and Contract Rates

		Lower quartile	*Median*	*Upper quartile*	*Percentage deviation*
Men					
1906 Sept.	earnings (st. week)	26/5	29/3	32/7	*11*
1947 June	contract rates ...	87/9	93/6	103/5	*8*
1949 Feb.	contract rates ...	107/5	113/10	125/11	*8*
1951 June	contract rates ...	116/2	125/–	*over* 137/–[1]	*over 8*[1]
1953 May	contract rates ...	134/–	145/–	*over* 155/–[1]	*over 7*[1]
Women					
1906 Sept.	earnings (st. week)	11/–	13/–	14/11	*15*
1947 June	contract rates ...	62/–	62/8	66/6	*4*
1949 Feb.	contract rates ...	75/–	76/2	80/6	*4*
1951 June	contract rates ...	81/–	83/2	89/6	*5*
1953 May	contract rates ...	95/–	96/4	103/8	*5*

[1] The contract rates of 29 per cent of men dayworkers in 1951, and of 33 per cent in 1953, were in the highest class : it is therefore impossible to determine the upper quartiles precisely.

way the distribution was affected by hours of work, the overall range seems unlikely to have been much smaller on a standard-week basis. Men dayworkers' contract rates varied from under 130s. to over 155s., and the full range of earnings for a standard week would probably have been if anything slightly wider than that of contract rates. At any rate there was a considerable overlap between daywork and piecework earnings.

(*b*) *Differentials*

The reasons for the range and overlap of piecework and daywork earnings are worth stressing before we proceed to examine the main differentials between the average earnings of different categories of workers. The pieceworkers' range is naturally larger than the dayworkers' because pieceworkers are paid more rigidly according to output, and individual output varies (to say nothing of variations in the looseness of pricing of particular jobs). But for dayworkers as well as pieceworkers the wide range of earnings indicates that neither category is really homogeneous : both categories include skilled and less skilled workers; both include workers in high-wage and low-wage districts or firms. It is, indeed, this heterogeneity which accounts for the overlap in the earnings distributions—some skilled dayworkers (paid by time because quality rather than quantity is desired) earning more than less skilled pieceworkers, some dayworkers in ' good ' firms earning more than some pieceworkers in ' bad ' ones, and so on.

This is particularly important when, following our normal practice, we compare differentials based on average earnings with prescribed differentials in rates. A prescribed differential between the rates of two categories of workers holds for every pair of workers of whom one is in each category; but a differential based on the average earnings of each category has, of course, no such significance. When overall ranges of earnings are large, there is a wide variation in differentials between the earnings of different pairs of workers; when the ranges overlap, some differentials will obviously be inverted; and in any case a differential based on average earnings does not necessarily represent the average level of these relationships. The wider the ranges of earnings on which the original averages are based, the more distorted such a measure is apt to be by other systematic differences whose operation is concealed : thus, as our figures of average earnings are not even broken down by broad grades of skill, any comparison of differentials in rates and earnings must inevitably be somewhat crude.

(*i*) *Piecework differentials*

By the beginning of the century, piecework had relatively little hold on the industry; but it was reintroduced increasingly after the first war, and by 1939 over 60 per cent of all workers were paid by the piece. However, during and after the second war, when supplies were difficult and some short time was being worked, the proportion of pieceworkers declined and—despite a joint resolution in 1945 favouring the extension of piecework ' for the effective promotion of full output'[1]—rose appreciably only between 1949 and 1951—the 1952 recession having possibly put a temporary check to further advance.

As Table X shows, men do more piecework than women. In 1906, surprisingly enough, men pieceworkers earned less on average than dayworkers;[2] but this has never happened in recent years. The piecework

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[1] See National Conference Agreement of January 1946.

[2] Possibly this may have been due to some men still being paid by the piece for hand work.

TABLE X

Proportion of Pieceworkers and Relative Earnings

	Number of pieceworkers as % of total		*Piecеworkers' average earnings*[1] *as % of dayworkers'*	
	men	women	men	women
1906 September ...	31	21	88	111
1938 October ...	N.A.	N.A.	112 *118*	113 *115*
1939 November ...	67	61	124 *126*	119 *120*
1941 February ...	65	58	126 *129*	121 *120*
1943 September ...	58	49	134 *137*	133 *134*
1945 September ...	59	51	134 *133*	132 *136*
1946 November ...	53	45	123 *129*	126 *126*
1947 June	54	46	127 *129*	128 *127*
1949 February ...	53	46	127 *129*	130 *130*
1951 June[2]	57	50	127 *129*	130 *134*
1953 May[2]	57	50	127 *130*	127 *128*

[1] Ordinary figures are based on average weekly earnings ; italicised figures on average hourly earnings corrected for overtime.

[2] Figures exclude workers over pensionable age.

differential in average earnings widened sharply at the beginning of the war, and was at its widest in 1943—45. After the contraction in 1946 it remained static for men while widening steadily for women up to 1951—these effects, as we have seen, being mainly due to the pushing-up of men's contract rates further above their minima while women's were held relatively stable.

Although inter-industrial comparisons in this field cannot be pressed too far, these piecework differentials in average earnings of around 30 per cent appear fairly considerable. In 1951, for example, while pieceworking shoemakers were earning 29 per cent (men) and 34 per cent (women) more per hour than dayworkers, the corresponding figure for pieceworkers in engineering was about 20 per cent.[1] The higher level in shoemaking might of course partly be ascribed to the effect of different national agreements, if the ' piecework percentages ' specified in these agreements were to be taken as a guide to the sort of differential that piecework earnings are supposed to achieve, on average, over timework earnings. As this percentage was set at 25 per cent for the boot and shoe industry and only at 7 per cent (fitters) and 9 per cent (labourers) for engineering,[1] the piecework differential in average earnings might well be expected to be wider in shoemaking than in engineering. Since however in both industries pieceworkers' average earnings exceeded minimum rates by roughly comparable percentages,[2] the existence of a wide piecework differential in shoemaking calls attention to a relatively low level of daywork earnings.

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[1] Skilled (fitters) 12 per cent ; semi-skilled (turners and machinemen rated below fitters) 24 per cent ; unskilled (labourers), 11 per cent.

Part of this disparity is due to a limited connection of skill with piecework and, conversely, to the performance of certain unskilled ancillary tasks by dayworkers. But this is not the whole story, as in general the productivity of dayworkers is said to be greatly inferior and, according to surveys recently carried out by the Shoe and Allied Trades Research Association (S.A.T.R.A.), a large amount of daywork is 'both a cause and a symptom of low productivity.'[3] This difference in productivity is, moreover, ' generally very much greater than can be explained by the extra effort induced by the financial incentive of piecework '—particularly as the two systems of payment are superficially so similar; and ' the main reason for the low productivity of dayworkers is that their work is rarely as well organised as it is for pieceworkers '.[4] Often, maintains S.A.T.R.A., ' a man is on daywork because the management are aware that there is not an adequate flow of work to enable him to "earn his money" on piecework.' Thus the piecework differential in earnings indicates not merely that pieceworkers are, by and large, the more skilled category, but that they produce more on comparable jobs partly because their opportunities of doing so are greater.

(*ii*) *Sex differentials*

As in other industries, the considerable difference between men's and women's wages is attributable not only to women's labour being traditionally cheaper than men's, but also to women being employed on rather less skilled jobs—a differentiation which in turn is partly associated with their liability to leave the industry sooner. However—again as in other industries—the prescribed difference between men's and women's wage rates has, as we have seen, narrowed over time.

[1] *I.e.* the percentages by which the expected minimum earnings of pieceworkers were supposed to exceed the consolidated time rates.

[2] In June 1951, pieceworking shoemakers were earning, on an hourly basis, 53 per cent (men) and 43 per cent (women) above minimum rates. In engineering, in the same month, pieceworking fitters were earning 49 per cent above their consolidated rate ; pieceworking turners and machinemen (the only semi-skilled category for which we have details) were earning 50 per cent above the average of fitters' and labourers' rates (the semi-skilled have no nationally-negotiated rate) ; and pieceworking labourers—of whom, however, there are very few—were earning 35 per cent above their consolidated rate.

[3] See S.A.T.R.A. *Monthly Bulletin*, October 1950 (summarising *Research Report No. 116* on productivity in factories making women's shoes), pp. 198–9. According to this survey the overall productivity of pieceworkers was found to be 169 per cent greater than that of dayworkers : excluding operations ' not directly productive ', the figure was 100 per cent.

[4] *Ibid.*, July 1949 (summarising *Research Report No. 106* on productivity in factories making men's shoes), p. 88. *Research Report No. 127* (on productivity in factories making children's footwear) contains similar findings.

But the discrimination between men and women has been greater in practice than in theory. As women's contract rates tend to be distributed closer to their minima than men's to theirs, the differential based on average contract rates has been considerably wider than that based on the minima (Table XI). While for example the wage increase of 1946 brought the women's minimum from about two-thirds of the men's up to nearer three-quarters, its effect on contract rates was to raise the women's average from about three-fifths to two-thirds of the men's—a relationship which has since been maintained. This differential in average contract rates has, of course, been largely reflected (except in 1945[1]) by that in dayworkers' average

TABLE XI

Relative Wages of Men and Women

	Women's wage as percentage of men's			
	minimum rate	average contract rate	average earnings[1] *dayworkers*	*pieceworkers*
1906 September ...	N.A.	N.A.	46	57
1935 October	61	N.A.	57	
1938 October	66	N.A.	59 *61*	60 *59*
1939 November ...	66	N.A.	62 *63*	59 *60*
1941 February	66	N.A.	60 *63*	58 *59*
1943 September ...	66	62	57 *62*	56 *61*
1945 September ...	68	62	56 *59*	56 *61*
1946 November ...	73	67	62 *67*	63 *66*
1947 June	73	66	62 *67*	62 *67*
1949 February	72	66	60 *68*	63 *68*
1951 June[2]	72	N.A.	59 *66*	60 *68*
1953 May[2]	73	N.A.	59 *67*	59 *66*

[1] Ordinary figures are based on average weekly earnings; italicised figures on average hourly earnings corrected for overtime.

[2] Figures exclude workers over pensionable age.

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[1] When a slight widening of the differential in dayworkers' hourly earnings was associated with a growth in the 'residual gap' for men (see p. 44.).

hourly earnings—as also in pieceworkers'.[1] In terms of average weekly earnings, however, the differential has been wider still : in fact, as far as our evidence goes, women's wages have oscillated around the three-fifths mark for many years despite advances in rates. A main reason for this comparative stagnation has been that women (at any rate since 1941) have increasingly tended to work shorter hours.

(*iii*) *Departmental differentials*

The departmental divisions in the industry are, as we have seen, essentially occupational. Since some of the main occupations are largely restricted to men and others to women, the chief departmental differentials in earnings result from the predominance of men or of women in particular departments —average earnings in closing and shoe room (the women's departments) being well below all others.

Apart from this, there appears to be something of a pattern within the ranges of men's and of women's departments. On average, clickers and finishers generally earn most, and heelers[2] and press workers least, among the men's departments (the position of lasters, though usually fairly high, varies); while of the women, closers almost always earn more than shoe room workers. This departmental pattern of earnings has obtained fairly consistently within each district over recent years. The main explanation is that the departments with the highest average earnings[3] have usually had the highest proportions of pieceworkers. It is true that within some districts these proportions have, even in the short run, fluctuated considerably for particular departments,[4] but these fluctuations have rarely been big enough to alter the prevailing piecework pattern. Clickers and finishers have normally done much more piecework than heelers and press workers (and closers than shoe room workers); and departmental differences in average earnings are largely a reflection of piecework differentials.

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[1] Pieceworkers' hourly earnings are likely to be distributed—like dayworkers' contract rates—closer to the minimum for women than for men.

[2] Heeling (and work in the shoe room) is traditionally low-paid : see Table III, note 1.

[3] In testing this, we used the figures of ' full basic wage for purpose of guarantee ' (available from 1943 to 1949) : *i.e.* for dayworkers the average contract rate, and for pieceworkers the average weekly earnings (excluding overtime) over a period of ' four full weeks of normal productive employment '. Such figures probably present the most ' normal ' earnings of both categories.

[4] For instance, the percentages on piecework in London varied as follows :—

	1939	*1941*	*1943*	*1945*	*1946*	*1949*
Men—						
Clicking	88	90	66	71	71	66
Press	8	8	15	14	13	5
Lasting	80	71	46	50	39	37
Heeling	64	87	29	37	19	21
Finishing	83	69	45	60	39	42
Women—						
Closing	66	53	51	49	40	35
Shoe room	54	27	27	34	22	14

These fluctuations are naturally more evident where the numbers involved are fairly small

At any rate, there appears to be no consistent departmental pattern either for dayworkers or pieceworkers considered separately. This is not surprising, as departmental divisions do not correspond rigidly with differences in skill, and to some extent the relative levels of earnings in different departments at any time will depend on the predominant types and qualities of shoe being made since different types of shoe require different degrees of skill in the various operations.

(*iv*) *Regional differentials*

Regional differences in average earnings within an industry are, of course, not necessarily wholly due to labour market influences such as the availability of alternative local employment and wage levels in adjacent industries. They may partly be the result of a loose definition of the ' industry ' : for example, regional differences in engineering earnings are due, in part, to regional differences in the predominant type of product. Again, they are often partly due to institutional factors such as the persistence of long-established differentials in wage rates. In the boot and shoe industry, however, these alternative explanations are not of great relevance : the type of product is, by comparison, uniform; and no regional differences in rates survived the advent of national negotiation.

The establishment of national minima in 1919 had, so far as we can judge, its intended effect of narrowing the regional spread of earnings; but the evidence does not allow us to measure the extent of this narrowing precisely—nor of any subsequent narrowing or widening that may have occurred before 1939.[1] Since that date, however, the overall regional spread has widened because the earnings of every category of London workers have pulled away from those in other districts : wartime conscription and evacuation and post-war full employment resulted in labour shortages which have no doubt been largely responsible for this. In Diagram II the course of average earnings for a standard week is shown for the different districts. Apart from the London advance there is little trace of a regional pattern. There has been no consistency of order within the Midlands districts, which are therefore not plotted separately;[2] and although the Norwich and Bristol figures have—with the startling exception of those for pieceworking women

[1] Monthly figures of total wage bills and total operatives for the main manufacturing districts were given in the *Labour Gazette* from 1904 to 1939 ; but these figures include juveniles and the age structure of the industry changed considerably, and unevenly, during the period (see p. 31). Moreover, the coverage of the *Gazette* figures differs from that of the 1906 *Earnings Enquiry*. For these reasons, overall averages of earnings based on these figures—though providing a continuous series—are too misleading to give a reliable estimate of relative earnings in different districts : in 1906, according to the *Gazette* figures, earnings in London were 26 per cent above those in the Midlands area as a whole ; according to the *Earnings Enquiry*, they were only 3 per cent above. (However, the present series of Ministry of Labour earnings enquiries agree quite well with the Federation data : see Appendix C).

[2] Moreover the 1949 wage distributions for each of the Midlands districts are similar.

in Bristol in June 1947[1]—tended to fall below the Midlands average, it is doubtful how far special significance should be attached to this.

The London advance began with the dayworkers. Dayworking men had widened their small lead by 1941, and from that point the pieceworkers (who were then earning at a rate lower than that of the highest Midlands district) also moved ahead and had won a decisive advantage by 1943. The percentages of men on piecework in London had been declining heavily: while in 1939 and 1941 these had been 75 and 71 respectively, compared with 67 and 65 for the country as a whole, by 1943 the London percentage had fallen to 46 (well below the national figure of 58) and it remained relatively low after the war, at any rate up to 1949. When men were called up, those who came in to replace them were on the whole less skilled and therefore tended to be paid by the day—the best paid jobs being retained, or obtained, by the pieceworkers who were left. But daywork earnings also continued to advance owing to the extreme shortage of labour. These trends could not be reversed after the war, although London labour costs are by now something of a problem for the manufacturers. Much the same factors have operated, in degree, for the women, whose advance has however been slower and less marked.

This regional picture is somewhat amplified by the 1949 wage distributions: those of pieceworkers' weekly earnings are given in Diagram III. In London only 7 per cent of men pieceworkers were earning below their expected minimum, whereas in the Midlands the figure was 25 per cent, in Norwich 29, and in Bristol 34. The upper end of the distribution provides a similar contrast, for well over a quarter of the Londoners were earning over £10 a week whereas in the other districts the proportion never reached more than a twentieth. As for the women, although in all cases their earnings were more concentrated in the lower ranges (in Bristol, about two-thirds were earning less than their expected minimum), the regional differences in the shape of the distributions are essentially similar to those in the men's. These distributions are of course affected by short-time working—and possibly also by some concealed overtime, although the figures of hours worked indicate short time on the average. The men's hours of work averaged about half-an-hour short of the standard week in London and Norwich, about an hour in the Midlands, and over an hour-and-a-half in Bristol; the women's, six-and-a-half hours short in London, five-and-a-half in Bristol, and about five in the Midlands and Norwich. Thus on balance the Londoners' advantage appears

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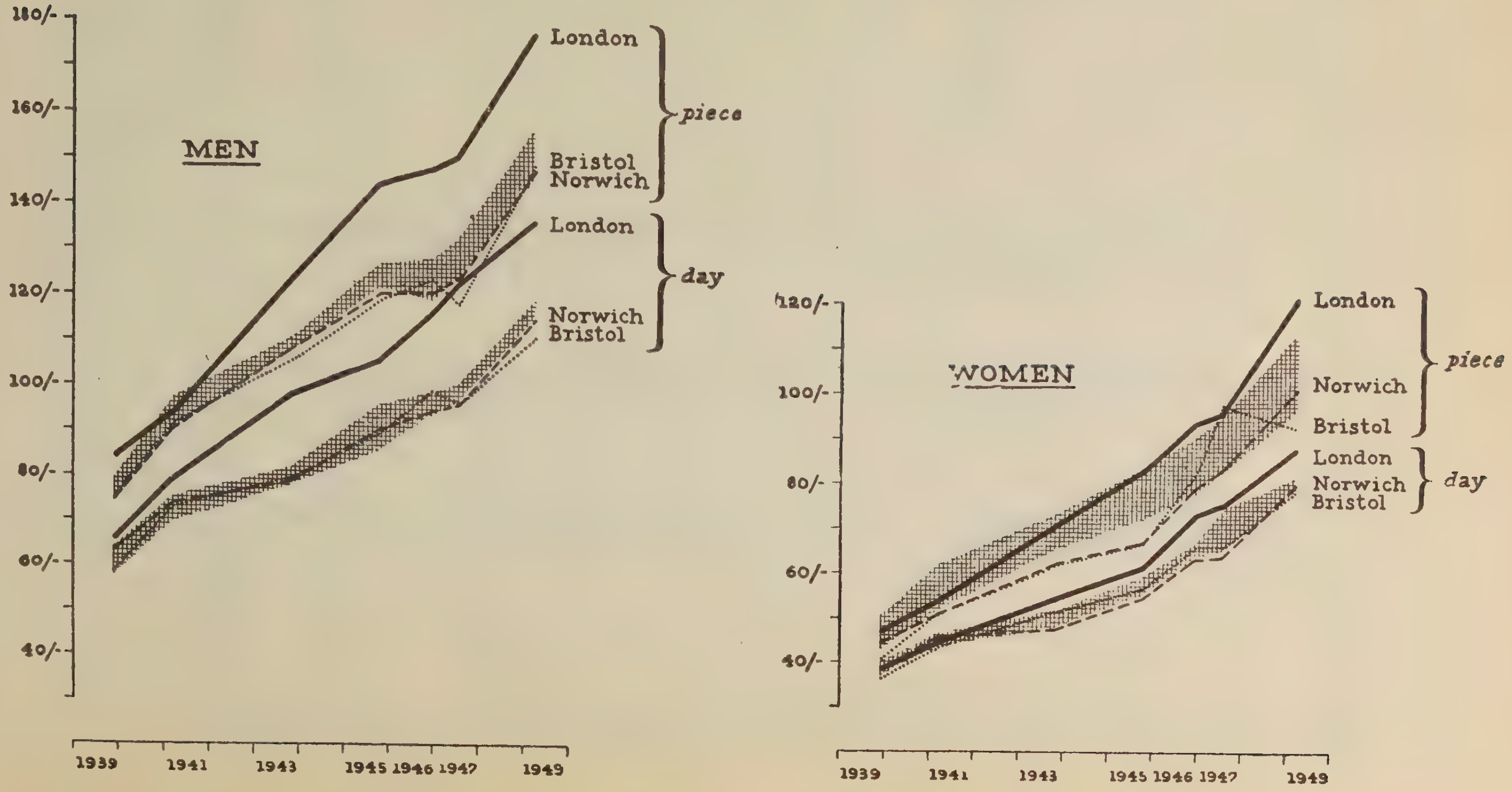
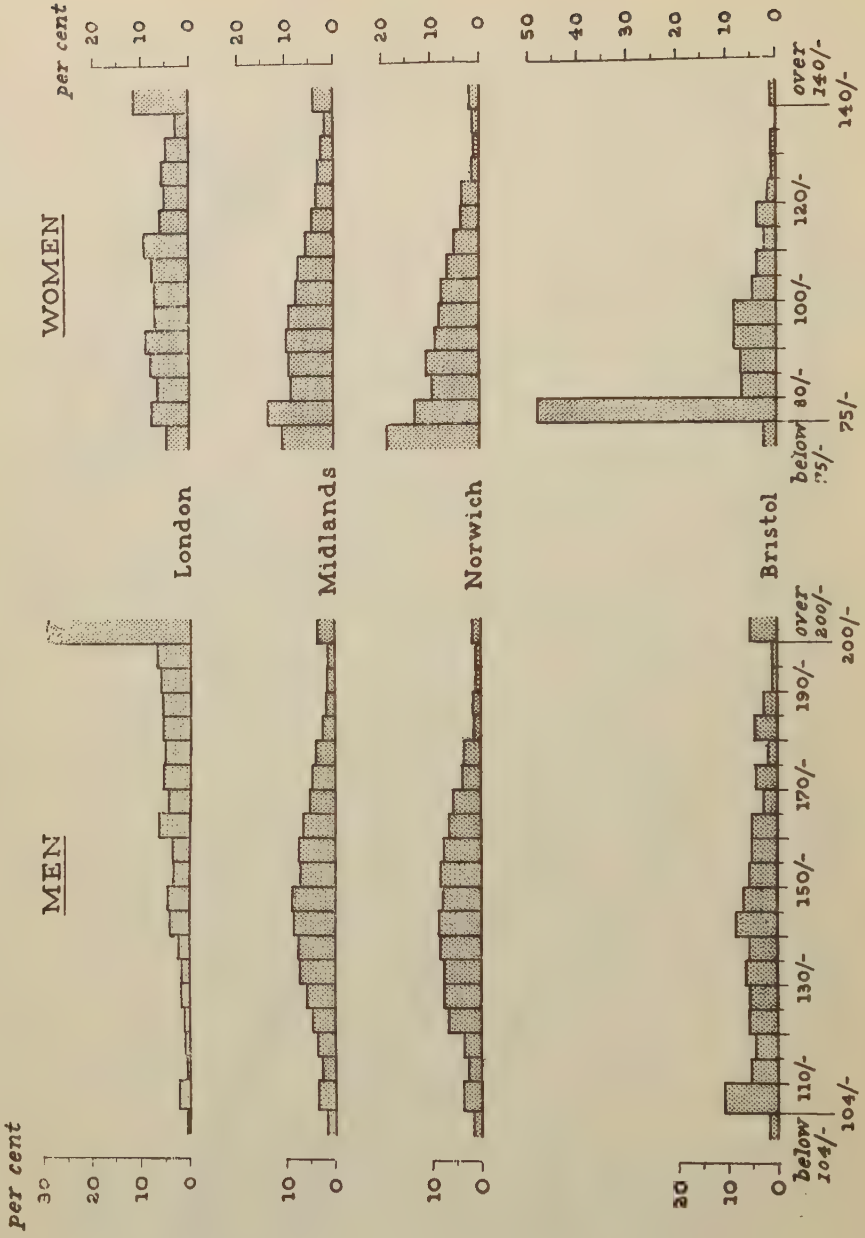
[1] The steep rise at this point resulted from an exceptional increase of 3½d. an hour over 1945 (more than twice as much as the corresponding increase for pieceworking women in any other district) which was associated with extensive short time—for the weekly hours of pieceworking women in Bristol then averaged only 32. By 1949, when their hours of work were more nearly normal, their hourly rate had fallen slightly, whereas in all other districts it had risen sharply. As however the 1947 returns for Bristol showed a steep decline in the number of women dayworkers (some of it possibly due to a shift to piecework) coupled with a reduction in the total hours worked by women of the order of 40 per cent, we must conclude that the 1947 figure of pieceworking women's earnings was completely unrepresentative of a normal week. (In any case the 1947 sample of workers in Bristol was only about three-quarters the size of those for 1946 and 1949).

II Average earnings for a standard week by districts

(The shaded area represents the spread between the highest and lowest of the 5 Midland district averages.)



III. Proportions of pieceworkers by earnings groups in February 1949



slightly greater for men and appreciably smaller for women than it would on a standard-week basis; and the effect of correcting for hours worked (if we had the evidence on which to do so) would probably be felt mainly at the extreme ends of the distributions.

As for dayworkers, the distributions of contract rates (Diagram I above) can be taken as similar to those of standard-week earnings, and show regional differences like those for pieceworkers. In London only 4 per cent of men were earning at their minimum rate, whereas in the Midlands the figure was 15 per cent, in Bristol 18, and in Norwich 23. At the top of the scale, nearly three-fifths of the Londoners came into the highest earnings category, whereas in Norwich the proportion was barely one-twentieth. Again the regional picture for women is similar to that for men—always allowing for the greater concentration at lower levels: in Norwich, fully two-thirds were on their bare minimum.

The only firm element of a regional pattern which has developed over time is the overall widening caused by the rise of London. By 1949, the difference in average standard-week earnings between London and the rest was, for every category except pieceworking women, nearly twice as great as the maximum difference between the other districts. However, the averages clearly conceal wide variations in earnings not only between workers but between firms—variations which are found nearly as much within districts as between them[1]; moreover, as there is a very large overlap in the ranges of earnings—almost certainly larger than that between daywork and piecework earnings—any regional differentials based on averages must be of limited significance. The distributions, it is true, illustrate the structure of the regional averages only for one week in a single year, and this structure may have been somewhat different at other times. But they show that the supremacy of London is general and not the product of freak earnings in one or two firms; and they reveal the concentration of certain categories of workers in the lowest earnings ranges in Norwich (and in Bristol, though here the figures are more doubtful[2] (which suggests that the low position of these districts may be more significant than one could conclude from the averages alone.[3]

IV. Summary and Conclusion

(1) The departmental divisions within the factory are essentially occupational, the main occupations being fairly rigidly confined either to men or to women. Within each occupation there are skilled and less skilled workers :

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[1] According to the *Working Party Report* (pp. 81–87), the average hourly earnings of adult male pieceworkers in the lowest-paid firms for one week in September 1945 were 53 per cent below those in the highest-paid. Corresponding figures for separate districts were : Kingswood (Bristol district) 37 ; Leicester, 47 ; Leicester County, 48 ; Northampton, 36 ; Norwich, 25 ; and Rushden, 38.

[2] The number of workers is very small and, in view of the 1947 effect noted above (p. 54, n. 1), we cannot draw a firm conclusion.

[3] The low position of Norwich is the more to be noted as good-quality women's shoes are made there. But there are possibly fewer opportunities of well-paid alternative employment than in London or many of the Midlands towns.

the only skill differential recognised by national agreement applies to pieceworkers.

(2) While the cost-of-living sliding scales have provided for proportionate increases in minimum rates to men and women, the differential between their rates has been narrowed on several occasions by other increases. It is now somewhat smaller than in most industries.

(3) Although overtime is supposed to be paid on a weekly basis and not, as is more usual, on a daily basis, the letter of the agreement is said not to be applied rigidly. In any case short time rather than overtime is characteristic of shoemaking.

(4) The industry is traditionally pieceworking: even dayworkers, on contract rates, are theoretically paid by results. However, the piecework and daywork systems differ considerably in practice.

(5) As in other industries, the spread of earnings is appreciably smaller than before rates were settled nationally. Since the war it has slightly widened.

(6) The excess of earnings over minima (always larger for men than for women) is much bigger than it was before the second world war. For pieceworkers this growth has no doubt been mainly due to increased productivity; for dayworkers, perhaps more to the pushing up of contract rates in sympathy with piecework earnings—contract rates thus partly fulfilling the function of lieu rates in other industries.

(7) The comparatively large piecework differential in average earnings is partly explained by the payment of certain unskilled ancillary jobs by time, and partly by the relatively low productivity of dayworkers which has been ascribed largely to defective flows of work.

(8) The sex differential in average earnings is wider than in minimum rates, both because women's contract rates fall nearer their minima (and their piecework prices are tighter) than men's, and because they work shorter hours.

(9) Departmental differentials in average earnings result chiefly from the prevalence of men or women, and of pieceworkers or dayworkers, in particular departments.

(10) The regional spread of average earnings narrowed when, with the establishment of national minimum rates, regional differentials were abolished. However, during and since the second world war, earnings in London have, for all categories, increasingly pulled away from those elsewhere—which has meant a regional widening. A study of the distribution of wages indicates that the supremacy of London is not statistically a freak effect, and also that the relatively low regional positions of Norwich and Bristol are mainly due to considerable proportions of workers earning only their minima.

In conclusion we must briefly draw attention to certain features of the industry which have given a special character both to its wage structure and to its pattern of earnings; for the boot and shoe industry is unlike those we have studied in previous articles.

Of these, the manufacturing industries—engineering and shipbuilding—are largely producers of capital goods. They have in the past been subject to wide variations in demand—far wider than any experienced in shoemaking—and earnings in these industries have naturally fluctuated more in consequence. In particular, both have been undergoing a prolonged boom since the outbreak of war which has brought not only a large increase in productivity but a very great expansion of their labour force—and overtime working to an extent never called for in shoemaking, even at the height of the war when the labour force was down to its minimum. But it is not only differences in fortune between capital and consumer goods industries, but intrinsic differences in their structure, which have produced different patterns of earnings.

In both engineering and shipbuilding we found a definite regional pattern of earnings. In both, a few regional differentials in wage rates still survive from the days when, with the beginning of national negotiation, existing rates were ' frozen '. In shipbuilding these differentials no doubt originally reflected regional differences in bargaining power, although they may also have been partly due to regional differences in the predominant type of product (there is a special differential for ship-repairing). In engineering, regional differences in product must originally have affected regional differentials in rates for despite its single wage structure it is not a single industry but many industries. There are certainly considerable differences in earnings between the various sections of engineering (and between shipbuilding and ship-repairing) and, in so far as well-paid sections are located in high-earnings regions, these differences are emphasised by geographical dispersion.[1] But in shoemaking the product is far more uniform and the industry more localised : there are no nationally-agreed regional differentials in wage rates and—bar the recent rise of London—no firm regional pattern of earnings.

Again, in engineering and shipbuilding there are old-established hierarchies of skill largely transcending particular departments—hierarchies which are partly based on the necessity for ancillary workers to assist the skilled, and for which there are nationally-agreed differentials in wage rates. Thus in these industries there is a fairly well marked occupational pattern of earnings which persists for timeworkers and for pieceworkers in the different regions and sections of the industry. In shoemaking there is not the same dependence on ancillary workers, and some of these (*e.g.* ' labourers and odd job men not engaged in actual manufacturing ') are in any case outside the wage structure; what skill hierarchies there are are peculiar to individual departments and—as with the semi-skilled in engineering—no occupational differentials in wage rates are laid down by national agreement. True, the mention in the 1952 agreement of a skill differential for pieceworkers (skilled workers to earn at least 37½ rather than 25 per cent above minimum rates) is a belated recognition of a *fait accompli*; but even so these levels were not linked in the agreement with specific occupations. They are no doubt linked in practice; but our figures for departments relate only to broad groups of occupations and in these figures the only trace of a firm pattern of earnings is due to the preponderance of pieceworkers in certain departments.

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[1] The relationship between engineering earnings in different regions and sections of the industry is to be examined in a later article.

In fact, the most important feature of the boot and shoe wage structure is the primacy of piecework. In this it resembles another large consumer goods industry, cotton textiles. Cotton has remained a ' pure ' piecework industry, as the main technical revolution (the change to machine production) came long before the establishment of standard price lists; but in shoemaking it came late, and the attempt to revise existing piecework prices uniformly caused such chaos that finally there was no alternative but to introduce daywork wholesale, the daywork system however (naturally enough, in the circumstances) being formally geared to piecework statements. After mechanisation, the industry nevertheless remained one in which payment by the piece was classically appropriate : it was no less true that virtually all manufacturing operations could be measured and that the speed of work was largely under the individual worker's control.

Piecework has indeed gradually come back into its own and is once more generally accepted as the desirable method of payment, to be introduced wherever possible. Some factories are purely pieceworking, and one of the reasons that daywork has persisted in others seems to have been the failure to organise an adequate flow of work throughout—the proportion of workers paid by the piece now being, ' without consideration of any other factors ', a fair reflection of factory efficiency.[1]

In shoemaking (as in cotton) the standard piecework price lists have hardly ever been recast *in toto* : while specific items have been altered by the Local Arbitration Boards, the prices as a whole are changed by percentage adjustments as required by national agreement. Similarly in shipbuilding certain price lists have been maintained for a very long time and altered by percentage adjustment. But such a procedure is possible only where technical development has been relatively slow or at least has not often been subject to revolutionary change : in engineering, where it has been very rapid, any attempt to control piecework earnings in this way would long ago have collapsed completely—indeed, the revision of piecework prices is a perennial source of workshop unrest. For while shoemaking is historically a piecework industry with daywork accretions, the opposite is true of engineering.

But the problem is not merely that of controlling piecework earnings : in all industries where there are timeworkers as well as pieceworkers, it is one of ensuring a reasonable relationship between the two. For while pieceworkers' earnings are directly related to productivity, timeworkers' are not; and thus, when productivity rises, piecework earnings tend to ' run away ' from timework earnings. In engineering the attempt to redress the balance has meant a proliferation of supplementary payments to timeworkers in the shape of merit rates, output bonuses, lieu rates and so on; in shipbuilding too the problem has been met by establishing a category of lieuworkers[1] and, more recently, by greatly expanding payment by results.[2]: but in shoemaking the difficulty has been overcome not only by the granting of larger percentage increases in minimum time rates than in piecework prices under national agreements, but also by the system of contract rates supported by local arbitration. The contract rate system is in essence an orderly attempt to keep dayworkers' earnings reasonably in line with pieceworkers'.

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[1] S.A.T.R.A. *Research Bulletin*, October 1950, p. 196. This in turn is to some extent connected with size of factory ; the Working Party noted a ' marked correlation ' between the proportion of pieceworkers, and therefore also the level of earnings, and factory size. But the connection had not been evident in the 1935 *Census of Production* and even now there are considerable variations in earnings levels within size groups (see *Working Party Report on Boots and Shoes*, 1946, pp. 66, 88).

But while the maintenance of a satisfactory relationship is not easy where the productivity of dayworkers is low, the control of earnings in general should be easier than in engineering if only because the industry is more than 95 per cent organised, and in a single union. Moreover N.U.B.S.O. is a well-staffed union,[3] with full-time officers—not unofficial or only semi-official shop stewards—doing all the negotiating. Nevertheless, the recent pulling away of earnings in London may indicate a weakening of central control, and it seems significant that the union leadership has recently shown signs of favouring a recasting of the entire wage structure on the basis of merit payments founded in the American style on job-evaluation and time and motion study in contrast to the conventional piecework price list.[4] (In the United States, according to the report of the Anglo-American Productivity Council, only 5 per cent of boot and shoe operatives are not on some form of incentive payment). So far this has been tried out only in the outlying areas of Somerset, Westmorland, and Scotland, which are not covered by district piecework statements, and the mass of the union membership—as well as many employers are still understandably cautious.

In the meantime, and given the present technical condition of the industry, the existing system has the merit of flexibility. National negotiations settle minima; district differences in quality of output can be catered for in the separate piecework price lists; and the contract rate system backed by local arbitration is an orderly method of supplementing daywork earnings (in contrast to the uncontrolled payment of 'extras') so that, on balance, a reasonable relationship between dayworkers and pieceworkers can be maintained.

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MONICA VERRY.

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[1] Lieu rates in shipbuilding are generally paid to pieceworkers when they are put on to work which is normally time-rated. In engineering, however, the lieu rate is primarily a device to supplement timework earnings.

[2] See *Earnings in Shipbuilding*, BULLETIN, November–December 1951, p. 364, n. 3.

[3] There are over 60 full-time officials (national officers excluded) to nearly 100,000 members. Large branches—some run into thousands—are officered by these officials who are in constant touch with their own rank and file as well as with the employers.

[4] For the point of view of the union president, see Crawford, *The Problem of Introducing Modern Systems of Wage Payment into the Boot and Shoe Industry*, *Journal of Industrial Economics*, July 1953.

APPENDIX A

Sources

Table no.		*Sources*
I, V, VII, and all tables in App. B	...	Federation data.
II, VIII, IX	...	Federation data and Earnings Enquiry of 1906.
VI, X	...	Federation data and Earnings Enquiries of 1906 and 1938.
XI	...	Federation data, Earnings Enquiries of 1906 and 1938, and Ministry of Labour Gazette.
App. D.2	...	Federation data, Earnings Enquiry of 1906, and Ministry of Labour Gazette.
App. C	...	Federation data and Ministry of Labour Gazette.
III, IV	...	Ministry of Labour Gazette.
App. D 1	...	National Conference Agreement of 1948.

APPENDIX B

(*i*) *Wage distributions of full-time workers*

TABLE B1

Numbers of MEN Dayworkers on Various Contract Rates
February 1949

		London	Midlands districts					*Norwich*	*Bristol and Kingswood*	*All districts*[1]
			Kettering	Leicester	Leicester county	North-hampton	Rushden			
on min. (104/–)		42	204	349	240	381	308	351	70	*2,424*
over :	*not over* :									
104/–	106/6	37	36	128	67	53	92	49	48	*573*
106/6	109/–	31	136	332	215	313	319	381	39	*2,042*
109/–	111/6	39	84	183	86	145	131	151	30	*957*
111/6	114/–	47	141	264	147	247	279	185	43	*1,543*
114/–	116/6	33	37	141	85	95	139	71	39	*740*
116/6	119/–	41	111	175	100	148	211	98	30	*1,012*
119/–	121/6	58	46	131	81	98	148	28	8	*674*
121/6	124/–	62	77	172	118	129	157	74	14	*879*
124/–	126/6	28	26	73	67	41	88	45	14	*431*
126/6	129/–	28	26	98	99	88	131	14	8	*533*
over 129/–		590	180	702	510	297	468	84	57	*3,099*
Totals		1,036	1,104	2,748	1,815	2,035	2,471	1,531	400	*14,907*

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[1] Including small numbers of workers in districts other than those named.

TABLE B2

Numbers of WOMEN Dayworkers on Various Contract Rates
February 1949

			Midlands districts							
		London	Kettering	Leicester	Leicester county	North-hampton	Rushden	*Norwich*	*Bristol and Kingswood*	*All districts*[1]
on min. (75/–)		241	544	876	601	759	665	958	191	*5,855*
over :	*not over :*									
75/–	77/6	81	103	245	259	157	338	116	119	*1,635*
77/6	80/–	277	184	481	231	196	505	164	35	*2,333*
80/–	82/6	62	31	128	78	96	122	44	33	*651*
82/6	85/–	90	38	200	86	103	237	59	19	*915*
85/–	87/6	38	6	59	39	54	35	38	3	*291*
87/6	90/–	67	23	98	44	35	71	21	10	*398*
90/–	92/6	43	19	41	24	33	24	7	5	*201*
92/6	95/–	40	8	64	42	39	41	2	2	*265*
95/–	97/6	1	—	1	—	3	3	3		*16*
over 97/6		175	35	139	130	108	71	19	6	*715*
Totals		1,115	991	2,332	1,534	1,583	2,112	1,431	423	*13,275*

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[1] Including small numbers of workers in districts other than those named.

TABLE B3

Numbers of MEN Dayworkers on Various Contract Rates (All Districts)
June 1947, June 1951, and May 1953[1]

		1947			1951			1953
on min. (85/–)		*2,197*	*on min.* (112/–)		*1,840*[2]	*on min.* (130/–)		*2,230*[3]
over :	*not over :*		*over :*	*not over :*		*over :*	*not over :*	
85/–	87/6	*726*	112/–	114/6	*411*	130/–	132/6	*222*
87/6	90/–	*1,895*	114/6	117/–	*1,219*	132/6	135/–	*988*
90/–	92/6	*887*	117/–	119/6	*697*	135/–	137/6	*466*
92/6	95/–	*1,361*	119/6	122/–	*1,035*	137/6	140/–	*941*
95/–	97/6	*520*	122/–	124/6	*783*	140/–	142/6	*560*
97/6	100/–	*1,115*	124/6	127/–	*598*	142/6	145/–	*646*
100/–	102/6	*443*	127/–	129/6	*615*	145/–	147/6	*444*
102/6	105/–	*667*	129/6	132/–	*582*	147/6	150/–	*707*
over 105/–		*2,714*	*over* 132/–		*4,426*[4]	*over* 150/–		*4,901*[5]
Total		*12,525*	*Total*		*12,206*	*Total*		*12,105*

[1] Corresponding figures for February 1949 are given in the last column of Table B1.
[2] Including 210 with contract rates below the minimum.
[3] Including 367 with contract rates below the minimum.
[4] Over 132/– and not over 134/6, 573 ; over 134/6 and not over 137/–, 353 ; over 137/–, 3,500.
[5] Over 150/– and not over 152/6, 422 ; over 152/6 and not over 155/–, 461 ; over 155/–, 4,018.

TABLE B4

Numbers of WOMEN Dayworkers on Various Contract Rates (All Districts)
June 1947, June 1951 and May 1953[1]

		1947			1951			1953
on min. (62/–)		5,070	*on min.* (81/–)		4,468[2]	*on min.* (95/–)		5,247[3]
over :	*not over* :		*over* :	*not over* :		*over* :	*not over* :	
62/–	64/6	2,096	81/–	83/6	1,084	95/–	97/6	707
64/6	67/–	1,560	83/6	86/–	1,593	97/6	100/–	1,505
67/–	69/6	486	86/–	88/6	700	100/–	102/6	632
69/6	72/–	845	88/6	91/–	693	102/6	105/–	684
72/–	74/6	180	91/–	93/6	410	105/–	107/6	317
74/6	77/–	250	93/6	96/–	384	107/6	110/–	453
77/–	79/6	84	96/–	98/6	206	110/–	112/6	222
79/6	82/–	168	98/6	101/–	227	112/6	115/–	229
over 82/–		455[4]	*over* 101/–		1,065	*over* 115/–		1,225
Total		11,194	*Total*		10,830	*Total*		11,221

[1] Corresponding figures for February 1949 are given in the last column of Table B2.
[2] Including 219 with contract rates below the minimum.
[3] Including 304 with contract rates below the minimum.
[4] Over 82/– and not over 84/6, 57 ; over 84/6, 398.

TABLE B5

Numbers of MEN Pieceworkers in Various Earnings Groups
February 1949, June 1951, and May 1953

		1949									*1951*	*1953*
			Midlands districts									
		London	Kettering	Leicester	Leicester County	Northampton	Rushden	*Norwich*	*Bristol and Kingswood*	*All[1] districts*	*All[1] districts*	*All[1] districts*
under	104/–	2	6	52	38	70	11	25	7	*241*		
over :	*not over :*											
104/–[2]	110/–	15	27	83	75	164	39	56	43	*591*	*(98[3])*	
110/–	115/–	3	15	71	47	122	36	37	21	*422*	*(571[4])*	
115/–	120/–	6	19	89	73	149	55	55	18	*557*	*257*	
120/–	125/–	7	42	101	109	188	78	96	23	*757*	*346*	
125/–	130/–	13	49	106	126	250	96	113	22	*943*	*363*	*(232)[5]*
130/–	135/–	12	88	134	170	287	120	112	25	*1,134*	*479*	*(330)[6]*
135/–	140/–	15	91	151	168	262	175	125	22	*1,238*	*628*	*168*
140/–	145/–	28	155	173	211	281	154	131	33	*1,373*	*766*	*283*
145/–	150/–	31	122	188	205	272	204	120	27	*1,382*	*897*	*311*
150/–	155/–	23	102	154	167	201	190	127	22	*1,161*	*1,038*	*371*
155/–	160/–	23	93	158	181	179	221	119	20	*1,139*	*1,061*	*440*
160/–	165/–	42	80	157	183	166	171	98	20	*1,058*	*1,118*	*536*
165/–	170/–	29	84	109	148	124	117	85	11	*814*	*1,025*	*672*
170/–	175/–	37	73	121	120	119	114	60	17	*757*	*975*	*608*
175/–	180/–	36	63	119	98	77	108	55	8	*661*	*943*	*780*
180/–	185/–	39	38	79	62	54	60	20	18	*435*	*915*	*797*
185/–	190/–	40	30	58	49	46	44	24	11	*358*	*751*	*836*
190/–	195/–	42	28	49	27	31	41	16	4	*279*	*735*	*846*
195/–	200/–	45	11	49	49	19	26	15	3	*259*	*635*	*899*
over	200/–	119	63	96	87	50	95	25	21	*699*	*2,271[7]*	*6,618[8]*
Totals		687	1,279	2,297	2,393	3,111	2,155	1,514	396	*16,258*	*15,872*	*14,727*

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[1] Including small numbers of workers in districts other than those named.
[2] Including those earning 104/-.
[3] The men's minimum time rate was 112/– in June 1951, and the figure therefore relates to those earning below this level.
[4] 112/– and not over 115/–.
[5] The men's minimum time rate was 130/– in May 1953, and the figure therefore relates to those earning below this level.
[6] Including those earning 130/–. [7] Over 200/– and not over 205/–, 445 ; over 205/–, 1,826.
[8] Including the following in further 5/– earnings groups : 788, 728, 668, 642, 573 ; over 225/–, 3,219.

TABLE B6

Numbers of WOMEN Pieceworkers in Various Earnings Groups
February 1949, June 1951, and May 1953

		1949									1951	1953
		London	*Midlands districts*					Norwich	Bristol and Kingswood	All[1] districts	All[1] districts	All[1] districts
			Kettering	Leicester	Leicester County	Northampton	Rushden					
under	75/–	20	13	151	193	263	38	212	3	985		
over :	*not over*:											
75/–[2]	80/–	33	62	214	235	240	79	147	62	1,309	(586[3])	
80/–	85/–	27	42	128	170	165	38	107	9	822	(1,723[4])	
85/–	90/–	34	40	133	182	158	51	120	9	869	783	
90/–	95/–	39	43	157	156	172	68	101	11	879	868	(1,135)[5]
95/–	100/–	30	47	171	157	137	64	90	11	854	963	(1,429)[6]
100/–	105/–	30	43	112	142	130	51	87	6	746	849	804
105/–	110/–	33	35	137	109	127	51	71	5	671	777	833
110/–	115/–	39	26	106	77	96	42	56	3	526	765	777
115/–	120/–	25	27	79	53	82	33	41	5	425	613	804
120/–	125/–	22	23	65	48	51	30	39	2	330	556	792
125/–	130/–	24	34	53	33	52	20	17	1	267	446	688
130/–	135/–	20	27	46	24	32	24	11	1	211	376	624
135/–	140/–	11	8	29	21	31	16	12	—	150	306	551
over	140/–	49	19	96	30	61	41	20	1	363	927[7]	2,475[8]
Totals		436	489	1,677	1,630	1,797	646	1,131	129	9,407	10,538	10,912

[1] Including small numbers of workers in districts other than those named.
[2] Including those earning 75/–.
[3] The women's minimum time rate was 81/– in June 1951, and the figure therefore relates to those earning below this level.
[4] 81/– to 85/– inclusive (see previous note).
[5] The women's minimum time rate was 95/– in May 1953, and the figure therefore relates to those earning below this level.
[6] Including those earning 95/–.
[7] Over 140/– and not over 145/–, 234 ; over 145/–, 693.
[8] Including the following in further 5/– earnings groups : 485, 408, 351, 252 ; over 160/–, 979.

(ii) *Standard-week earnings by districts*

TABLE B7

MEN'S Average Earnings for a Standard Week

Pieceworkers' earnings italicised

District	*1939*	*1941*	*1943*	*1945*	*1946*	*1947*	*1949*
London	65/5 *83/11*	78/11 *93/11*	97/11 *122/10*	105/5 *144/2*	115/11 *147/10*	122/11 *150/7*	136/2 *177/6*
Kettering	59/6 *79/5*	69/6 *94/6*	80/5 *110/6*	87/– *123/5*	93/10 *128/4*	96/9 *129/–*	119/5 *155/–*
Leicester	62/1 *75/5*	72/2 *89/11*	81/10 *110/6*	89/10 *122/6*	98/6 *126/8*	100/6 *133/3*	118/5 *155/7*
Leicester County ...	60/11 *74/5*	70/9 *90/–*	81/5 *110/2*	96/– *127/1*	98/8 *126/7*	100/3 *128/6*	119/– *153/9*
Northampton ...	63/7 *79/2*	75/4 *94/5*	80/8 *107/7*	90/6 *121/11*	96/3 *119/–*	100/6 *124/6*	115/10 *146/10*
Rushden	57/7 *76/5*	70/6 *97/5*	77/11 *108/5*	85/9 *123/2*	95/5 *123/11*	98/– *127/4*	118/6 *157/3*
Norwich	63/1 *74/2*	73/7 *90/–*	78/5 *107/9*	90/1 *120/6*	94/5 *120/6*	96/– *124/–*	115/1 *147/8*
Bristol & Kingswood...	58/7 *74/9*	72/8 *91/9*	79/1 *105/5*	89/5 *119/–*	98/10 *123/11*	96/2 *118/3*	111/– *149/3*

TABLE B8

WOMEN'S Average Earnings for a Standard Week

Pieceworkers' earnings italicised

District	*1939*	*1941*	*1943*	*1945*	*1946*	*1947*	*1949*
London	38/5 *46/10*	44/6 *53/4*	53/6 *69/8*	60/9 *82/4*	72/5 *93/–*	74/11 *95/3*	87/5 *120/6*
Kettering	37/9 *50/4*	44/– *59/3*	48/9 *69/9*	55/8 *80/7*	65/10 *82/11*	65/– *86/–*	79/3 *112/8*
Leicester	40/3 *46/6*	45/8 *54/2*	51/5 *67/11*	59/1 *75/9*	66/10 *85/2*	68/10 *87/5*	80/3 *107/9*
Leicester County ...	37/2 *43/–*	43/11 *51/5*	49/11 *64/11*	57/5 *71/10*	63/10 *77/5*	65/10 *82/4*	79/1 *96/4*
Northampton ...	40/1 *46/9*	46/10 *55/7*	50/10 *65/9*	56/10 *75/4*	66/10 *77/10*	74/4 *83/9*	81/10 *106/9*
Rushden	37/6 *49/6*	43/7 *61/10*	47/10 *72/7*	55/– *83/3*	65/6 *90/1*	67/8 *95/–*	79/6 *113/5*
Norwich	38/6 *44/4*	45/11 *50/7*	47/2 *61/9*	54/– *66/8*	63/2 *79/–*	63/5 *82/11*	79/5 *100/11*
Bristol & Kingswood...	36/1 *40/8*	43/5 *50/11*	51/4 *61/6*	56/7 *66/7*	65/6 *82/5*	65/11 *97/2*	78/3 *92/5*

APPENDIX C

Comparison of Federation data with Ministry of Labour figures

Figures from the Ministry of Labour's bi-annual earnings and hours enquiries may be compared with the Federation data—though not in full detail as the age limits for juveniles differ. The size of the sample on which the Ministry's figures are based varied between 1945 and 1951 from about 60 to 70 thousand workers (in 1951, about 60 per cent of the labour force), whereas the Federation data covered about 40 to 60 thousand workers (roughly 50 per cent in 1951, although less in earlier years). The Federation data are drawn from Federated firms in all the main manufacturing districts: the most important of the localities not covered is Rossendale; Raunds (Northants.), which is engaged entirely on army work, is also excluded.

Weekly Earnings. Hours, and Hourly Earnings
(all workers, including juveniles)
Federation data italicised

	Average weekly earnings	*Average hours*	*Average hourly earnings* (*d.*)
1945 July	76/8	43.4	21.2
September	*79/2*	*42.6*	*22.3*
1946 January	80/7	42.9	22.5
1946 October	83/11	42.9	23.5
November	*83/6*	*42.2*	*23.7*
1947 April	86/9	42.9	24.3
June	*86/2*	*42.2*	*24.5*
October	91/1	43.4	25.2
1948 October	101/4	43.3	28.1
1949 February	*105/7*	*42.5*	*29.8*
April	105/3	43.2	29.4
1951 April	115/9	43.4	32.0
June[1]	*120/–*	*43.0*	*33.5*
October	120/10	42.6	34.0

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[1] Federation data for 1951 exclude workers over pensionable age. Averages are therefore slightly too high. As Federation data for 1953 also exclude juveniles, no comparison is made for this year.

APPENDIX D

Juveniles

As in other industries, the proportion of young workers has fallen considerably with the progressive raising of the school-leaving age. The adult-juvenile differential in wage rates, which has always been smaller for girls than for boys, has narrowed over time—gradually up to 1939 (when the boys' starting rate[1] was 24 per cent of the men's minimum and the girls' 37 per cent of the womens') and rapidly thereafter, reaching 34 and 47 per cent respectively in 1949. The steps by which the adult rates were then reached are given in Table D 1. Girls and boys start at the same rate and there is no sex differential until the age of 16½. The differential then widens gradually (though irregularly) until the girls reach the womens' rate at 20, but sharply thereafter as the boys have two further steps to bring them up to the men's.

TABLE D1

Relative Time Rates of Juveniles in February 1949

Age	*Juveniles' rate as percentage of adults'*		*Girls' rate as percentage of boys'*
	boys	girls	
15	34	47	100
15½	36	49	100
16	38	53	100
16½	42	57	98
17	48	63	94
17½	53	68	93
18	58	75	93
18½	63	80	91
19	71	87	88
19½	78	92	85
20	86	100	84
20½	92	100	78
21	100	100	72

Without a breakdown by age groups it is impossible to see how far this structure is reflected in earnings, although as the sex differential in the earnings of juveniles as a whole (shown in Table D 2) is considerably narrower than in adults' there is evidently some reflection. The alterations in the definition of 'juveniles' (see note [1] to table) and the impact of National Service makes it useless to analyse juvenile earnings in detail, but their general relation to adult earnings is also shown in the table.

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[1] *I.e.* the rate to which the youngest entrants were entitled after completing a short probationary period during which they were paid less. ('Probationary' rates were abolished for juvenile entrants from 1948).

TABLE D2

Relative Average Earnings of Juveniles[1]

	Juveniles' earnings[2] *as percentage of adults'*				*Girls' earnings*[2] *as percentage of boys'*	
	boys		girls			
	day	*piece*	*day*	*piece*	*day*	*piece*
1906 September ...	37	54	51	68	63	62
1935 October ...	36		46		72	
1943 September ...	39 *40*	56 *57*	61 *59*	71 *68*	89 *91*	71 *72*
1945 September ...	37 *37*	55 *55*	64 *67*	74 *71*	98 *107*	74 *79*
1946 November ...	39 *40*	53 *52*	67 *63*	75 *70*	105 *106*	88 *87*
1947 June	40 *40*	51 *52*	65 *61*	76 *72*	99 *102*	92 *92*
1949 February ...	45 *46*	54 *54*	68 *63*	75 *69*	90 *92*	86 *88*
1951 June[3] ...	46 *47*	56 *57*	69 *65*	75 *70*	89 *92*	82 *83*

[1] In 1906, ' juveniles ' included males under 20 and females under 18 ; in 1935 and 1943, males under 22 and females under 20 ; in 1945 and after, males under 21 and females under 20.

[2] Ordinary figures are based on average weekly earnings ; italicised figures on average hourly earnings corrected for overtime.

[3] Figures exclude workers over pensionable age.

THE REFORM OF E.P.U.

Sometimes one is surprised to meet people who were a long time before condemned by their doctors to an early death. Their survival is often largely due to the vigour with which, as it were, they took up the challenge. Institutions also react in the same way, which accounts, no doubt, for the aptness of what the French say about the permanence of the provisional. A contemporary example of this process of ' challenge and response ' is the European Payments Union. Given two years to live at its inception in the middle of 1950, it is now approaching the end of its fourth. It has long since forgotten the diligence with which it provided for the disposal of its assets when it expired, and is now actively considering adding to its business. Its Managing Board is at present working out a Report, to be presented to the Organisation for European Economic Cooperation at the end of March, which is to show how a transition might be made ' from the present form of E.P.U. to a wider system of trade, payments and credits '. When the Union is thus with visible pride flexing its biceps, it may be ungracious to criticise the strength it has developed for itself. Yet its constitution has serious defects; and it is essential that the Managing Board should correct them before proceeding to more arduous exercises. The purpose of this article is to suggest what ought to be done.

The method by which E.P.U. functions is designed to serve two purposes. First it allows each member country to use its surpluses in trade with some of its fellow-members to settle its deficits with others. If this is not allowed, as it mostly was not prior to E.P.U., there result the evils of ' bilateralism '. If Britain finds that the normal course of trade leads her to a surplus with France and a deficit with Belgium of roughly equal size, and if the surplus French francs cannot be used to pay the debt to Belgium, then (apart from the remote possibility that Britain might permanently lend to France and borrow from Belgium) she must seek to balance her accounts with France and with Belgium separately; and this will involve buying goods from France which she does not want and denying herself certain Belgian goods which she does. E.P.U. enables this to be avoided, and each member's monthly surpluses in trade with the others are set off against its deficits. Thus each member's net deficit or surplus with the Union as a whole is struck, and the question then arises how it is to be settled. Here there comes into play the second of the purposes of E.P.U. This is to penalise those members of E.P.U. which are persistently in deficit with it, while accommodating those only temporarily so. If a member has a deficit, it is settled partly by the Union giving the member credit and partly by the member paying the Union gold. But the proportion which has to be paid in gold is made to depend upon the cumulative total of the member's surpluses and deficits from the beginning of the Union. If this is small, so that the member must have kept on average close to equilibrium, only a small proportion of its deficits have to be settled in gold. If, on the other hand, the member has been persistently in deficit, it will have accumulated a large debt with the Union and will be forced to settle in gold a large proportion of any future deficits—a proportion which can reach 100 per cent.

Thus the two purposes which E.P.U. achieved were to introduce at the same time greater freedom and greater discipline into the trading relations of its member countries, There is no doubt that the former removed some substantial boulders in the way of trade, and that the latter sprinkled sharp spikes in the way of insolvency. But whether the spikes were pointed in the right direction is very much open to question. What the mechanism of E.P.U. does is to force its members into equilibrium with their fellow-members combined. Now the economic structure of some members may be such that the normal processes of trade lead them to a surplus or deficit with E.P.U. and a corresponding deficit or surplus with the world outside. Germany, for example, is returning to her position as a natural creditor, while the United Kingdom is probably a natural debtor, in trade with Western Europe. But if Germany continues in surplus and accumulates gold in the E.P.U. clearing, she is looked at askance by other members as trying to jump the common dollar crisis off their backs. And if the United Kingdom remains in deficit, it little matters if her trade with the outside world shows an equivalent or even a larger surplus, because it is very unlikely that she can obtain thence the gold needed to settle her accounts with E.P.U. The result is that the United Kingdom is penalised even though she may have an overall surplus and Germany may gain gold in spite of an overall deficit. These two most obvious cases are taken to illustrate the problem[1]; but there are no doubt others.

In the second place there is a danger that the gold settlements introduced by E.P.U. may seriously hinder the development of trade between its member countries. In the case of the United Kingdom, for example, if there is a drain upon the gold reserves of the Sterling Area, the authorities look round for means of stopping it. Their most obvious course of action is to cut out imports from the Dollar Area. But these are pared down almost to the minimum already. Out of sentiments of loyalty and solidarity the authorities avert their eyes from their fellow-members in E.P.U. and look at the world outside. But here gold settlement is rare; trading balances are generally adjusted by changes in import programmes or quotas without any gold being paid or received. This makes it unlikely that any loss to the Sterling Area gold reserves can be rectified by cutting imports from these countries. Reluctantly the authorities must turn back to E.P.U. The provision for gold settlement with these countries makes them the obvious direction for import cuts.

The superior qualifications possessed by E.P.U. as a target for British import cuts, should a crisis require them, might be lessened in two circumstances. First, it might happen that the crisis came at a time when Britain's cumulative position in E.P.U. was such that her deficit there was costing her little gold. On the whole, however, the events likely to cause the Sterling Area to lose gold to the Dollar Area arelikely also to cause loss of gold to E.P.U. Consequently by the time the crisis has mounted to the point where imports must be cut, Britain's cumulative position in E.P.U. will probably be such that she is in the range where settlements involve a high proportion of gold. Secondly, the countries of E.P.U. would be less well qualified for the guillotine if their exports to Britain consisted to a larger extent of ' essential ' goods. British Chancellors turn against imports from E.P.U. both because they may have a substantial gold content and because many of them can be labelled ' inessential '. Here lies a vicious circle. A greater output of foodstuffs could probably be fostered in the countries of Western Europe if reasonably certain markets could be assured; and this would reduce their dependence on dollar sources of supply. (This at any rate is the judgment of the Economic Commission for Europe). In other words, Britain could draw more of her ' essential ' imports from Western Europe if she could guarantee a market. But she cannot commit herself to purchases of which a substantial part may have to be paid for in gold. Consequently the exports of Western Europe to Britain are likely to go on containing a high percentage of 'inessentials' and therefore be particularly subject to the axe. It is greatly to the credit of E.P.U., a potent example of European cooperation, that the severe British import cuts in the autumn of 1951 were absorbed without retaliation. Magnificent; but cooperation properly conceived would never have forced Britain to come down so heavily on her partners.

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[1] The problem may be less acute when it is remembered that not Britain alone but the whole Sterling Area is concerned in E.P.U. For the 'natural deficit' of Britain may have its parellel in a ' natural surplus ' of the Overseas Sterling Area. In what follows this should be borne in mind. The analysis, however, ignores the Overseas Sterling Area, since it is Britain which is, in the short run at any rate, compelled to take the decisions concerning relations with E.P.U.

It is time to reform E.P.U. and to overcome these two patent defects. Reform must in the first place ensure that penalties fall upon an overall deficit and not solely upon a deficit in E.P.U.; and in the second place that members do not have to respond to the penalties more by cutting their imports from each other than by cutting their imports from the world outside. If this second principle is pursued, a more stable market will be created within Western Europe; and this will both accord more closely with the principles of cooperation on which E.P.U. is founded and provide the essential basis for the fuller utilisation, in particular, of Europe's lagging agricultural potential. At the same time regard must be had for that ' wider system of trade, payments and credits' towards which E.P.U. is hoping to evolve.

It seems that these requirements would be met by a reform of E.P.U. along the following lines. Let each member continue as at present to offset its surpluses against its deficits in trade with other members, and let its net position be calculated. Let the present system whereby this net position is settled partly in credit and partly in gold, be abolished. Instead, let members with deficits settle them by transferring to the Union the equivalent amount of their own currency, at the same time *guaranteeing its convertibility at the* *request of E.P.U. into any non-dollar currency.* Let members with surpluses have the right to convert them on application to the Union into any non-dollar currency. The effect of this system would be that surpluses and deficits incurred in trade between members instead of being partially convertible into gold would become fully convertible into any non-dollar currency. Let us see how this would fufil those principles of reform outlined above.

In the first place it would now become possible for a member to have a permanent deficit with E.P.U., provided that it maintained an overall balance. Let us suppose for the moment that there is only one currency outside E.P.U. other than the dollar; and let us call it the Nondol. If Britain is in deficit with E.P.U. for £10 million, then under our scheme she grants E.P.U. a sterling balance of £10 million which E.P.U. can request her at any time to convert into Nondols. In order to be able to discharge this liability, Britain must ensure that she is earning a surplus of £10 million Nondols in trade with the non-dollar countries outside E.P.U. If she is not earning this surplus, she will be forced to take steps to curtail her imports. But these steps will not be forced on her merely by a deficit in E.P.U. as they would under the present system, but by a deficit in E.P.U. unaccompanied by a surplus elsewhere. Discipline will now be directed at the real culprit; it will fall upon an overall deficit rather than upon a deficit in E.P.U.

There would, however, be one exception to this happy state of affairs. This is the case where a member is in an overall equilibrium which is made up of a surplus in E.P.U. and a deficit with the Dollar Area. Here the member would be gaining Nondols but losing gold; and despite its overall equilibrium will be penalised and compelled to restrict imports from the Dollar Area. To amend our previous conclusion, members will be subjected to discipline only if they depart from overall equilibrium, except in the case where an overall equilibrium contains a dollar deficit.

Our second principle of reform was that, when a member was compelled to take action to remedy an overall deficit, it should no longer be its fellow-members who were particularly exposed to it. This also is fulfilled by our scheme. If the member cannot earn enough Nondols to settle its deficit in E.P.U., there is no more reason why it should curtail its imports from its fellow-members than its imports from the Nondol area. For now its imports from its fellow-members will not contain that noxious element of gold which at present makes them the obvious target for the axe. This does not mean that members of E.P.U. are given any special protection from import restrictoins which other members may be forced to apply. They are merely removed from a position of particular exposure. Whether a member in overall deficit cuts its imports from E.P.U. more or less than its imports from the Nondol area will now depend upon pure trading considerations of relative cost and the like. A sense of solidarity and unwillingness to depart from the Liberalization Code may bias it in favour of sparing its fellow-members. But it will also depend upon the willingness of the latter to make it worth the member's while to spare them, by turning its production to satisfy their more essential needs. This willingness, however, will not exist at all in E.P.U. if its members continue in any case, as under the present system, to be particularly vulnerable to the import restrictions of their colleagues.

Within what we have called the Nondol area are many currencies. This complicates the simple mechanisms outlined above, and in certain circumstances could qualify the virtues we have claimed for our reformed version of E.P.U. Suppose that Germany and France, both members of E.P.U., were both in overall equilibrium; but that Germany had a surplus in E.P.U. and a deficit with Japan, while France had a deficit in E.P.U. and a surplus with the Argentine. Germany would then under our system require the Union to supply her with yen against her surplus. The Union turns to France and requires her to convert the francs with which she has settled her E.P.U. deficit into yen. But France has only pesos. She may now turn to fellow-members, offering pesos and seeking yen. If E.P.U. members as a whole (including France) are in balance with Japan and the Argentine, there will be forthcoming from them an equal demand for pesos and supply of yen. If they are not, France is forced to try the outside world; and again will only be able to find the yen which the Union requires of her in exchange for her surplus pesos if the world as a whole (including France) is in overall balance with these two currencies. If in the world as a whole there are too many pesos and too few yen, if the Argentine is an overall debtor and Japan an overall creditor, then what can France do? For a while she could satisfy E.P.U. by transferring gold; but in the end, despite her overall balance she must restrict imports. But imports from where? Primarily her imports from Japan; but if, because of a prolonged shortage of yen or because imports from Japan are regarded as particularly essential, then she must cut her imports from her fellow-members of E.P.U. since it is in E.P.U. that the obligation to supply yen, the ' scarce currency ', arises. The two principles upon which our reforms are based, that members should be penalised only for an overall deficit (or a dollar deficit) and that they should be penalised in such a way that their fellow-members are not particularly exposed to their remedies, are thus in danger.

The danger arises if there are currencies in the Nondol area which possess the same characteristics as the dollar in that they are chronically hard. While it is inevitable that these currencies will vary in their abundance, both as compared with each other and over time, it is also unlikely that any one of them will reproduce the hardness of the dollar. The reason why the dollar is so hard is that it is so difficult to do without dollar goods; and this is largely accounted for by structural changes in the world economy to which adjustment has not yet been made. Among these the most important are the fact that there has been a pronounced shift to the Dollar Area as a source of supply, both by its own inhabitants and by countries outside, and a decline in the purchasing power of gold. To say that the dollar is hard is, in fact, to say that it is difficult to dispense with the goods whose purchase depends upon having it; and to say that none of the currencies of the non-dollar world is likely to be equally hard is likewise to say that it is comparatively easy to dispense with the goods commanded by them. Thus, while a member with a deficit in E.P.U. may in principle under the present system choose to tackle it either by restricting imports from its fellow-members or by culling dollars from further discrimination against the Dollar Area, it will in practice choose the former. But under our system it will be more possible for a debtor in E.P.U. to spare its fellow-members; for if any non-dollar currency becomes scarce and difficult for it to obtain in the quantities required by the Union, there will be no such irresistible pressure for restrictions to be directed against fellow-members rather than the scarce currency itself.

Nevertheless it would be rash to found our reformed version of E.P.U. upon the proposition that no non-dollar currency will ever be as hard as the dollar. The strength of an international agreement may often reside not only in its exploitation of the possible, but also in its defences against the improbable. The E.P.U. might well adopt and revive the ‘ scarce currency ’ provision of the International Monetary Fund. In the event that a non-dollar currency is becoming hard enough to endanger the principles of our reformed version of E.P.U. in the way described above, let the Managing Board have power to enforce discrimination against it throughout the Union. (This is a stronger provision than the original ‘ scarce currency clause ’ written into the articles of the International Monetary Fund, which merely permits discrimination.) An alternative would be to allow the Managing Board to suspend the rule of convertibility into that currency. But this course would be less desirable since it would inflict a disproportionate burden upon those members whose multilateral trade pattern particularly depended upon the currency. In the example which we have given, where Germany is requiring yen against its surplus in the Union and the Union is calling on the French deficit to supply it, to suspend convertibility into yen would damage the Germans excessively and unnecessarily gratify the French. A more equal distribution of the burden involved in adjusting to the scarcity of yen would be achieved if the Managing Board were empowered to enforce an equal percentage reduction in the imports of all members from Japan.

One further point remains. Our proposal is that members with a deficit in the Union should settle it by depositing their own currency, leaving the Union to call for it to be converted into any non-dollar currency when it requires to do so to meet the demands of creditors. Alternatively deficits might be settled as they are incurred, so that the Union itself becomes a holder of non-dollar currencies. The former system is preferable in that it enables members to retain the use of the funds involved; sterling deposited with the Union, for example, could be lent to the British Government. At the same time, however, it would involve the Union in the risk of loss should the currency of a member depreciate in terms of non-dollar currencies. This would call for some form of revaluation guarantee to the Union by members.

These proposals for the reform of E.P.U. differ radically from those which are being pressed most vigorously on the Continent. The creditors in E.P.U., of whom the largest are Germany, Belgium, the Netherlands, Portugal, and Switzerland, are anxious that E.P.U. should be made harder, that the proportion of gold in the settlement should be increased. There is a danger that Britain may be led to support such a change as a move in the direction of convertibility. There is no doubt that the creditors have a strong case, since much of the credit that their banks can extend is tied up in loans to E.P.U. when it might find more productive outlets elsewhere. It might be used, they argue, for better forms of foreign investment than the support of obstinate debtors. In any case they argue from a position of strength, and any proposed reform must recognize this. Our proposals, however, can offer the creditors certain advantages. In the first place, members with surpluses in E.P.U. will no longer be required to give credit at all. The whole of their monthly surplus will be settled in currency. It is true that they will lose their rights to gain gold. In any case they could not expect to continue indefinitely gaining gold from E.P.U., since the nature of the Union excludes this. But under our system a surplus with E.P.U., instead of providing them with some currency, gold, which can be used anywhere in the world, and at the same time an obligation to give credit, will provide them with the full amount of that surplus in currency which can be used anywhere in the non-dollar world. This would be a tolerable bargain, and would contribute to that ' wider system of trade, payments and credits ' which we have seen is present in the minds of those responsible for managing E.P.U. In the second place our proposals maintain the principle, which is naturally of interest to creditors, that debtors should be penalised; but the penalties are revised so as to correct the real faults. Thirdly the prospects for the liberalization of trade between members, and in particular for the final lifting of the British restrictions imposed in 1951, will greatly enhanced if the golden sting is removed from the imports members make from each other. Moreover, trade between members, once liberalised, will be placed on a much more stable basis if it is no longer particularly likely to bear the brunt of any import restrictions to which members may be forced to resort.

If we may resume the metaphor with which we began, E.P.U. has confounded the specialists and developed remarkable strength. But with this strength has come a distressing complaint. It is cross-eyed. Consequently when it tries to curb the recalcitrant it often mistakes the true culprit, and when it chastises what it takes for guilt, it often causes damage to itself. Let it submit to the operation here proposed and its usefulness will be enormously increased.

J. R. SARGENT.

EAST–WEST TRADE

This paper is an attempt to analyse the development of trade between the European Communist block[1] and the rest of the world. The trade relations of Communist China with the non-Communist world are not considered here.

THE LEVEL OF TRADE

The value of the European Communist bloc's exports to the rest of the world, excluding China, was slightly lower in 1952 than in 1938, i.e. $1,084 million as compared with $1,145 million; but imports moved up slightly from $969 million to $1,114 million. Meanwhile, exports of the world as a whole, but excluding trade within the Communist bloc, rose more than threefold, i.e. from $22,000 million to $73,000 million.

TABLE I

Trade of Eastern Europe with the non-Communist World

(*$ million*)

	East European Exports f.o.b. equivalent	*East European Imports f.o.b. equivalent*
1938	1,145	969
1948	1,391	1,434
1950	939	1,013
1951	1,178	1,211
1952	1,084	1,114

Sources and Methods : cf. Annex.

As the level of world prices rose considerably during this period, the volume of trade of the Communist bloc with the non-Communist world probably fell by two-thirds between 1938 to 1952. The level of European East-West trade was lower in 1953 than in 1952, and the trade of the Eastern bloc with other areas does not appear to have increased in 1953 ; however, European East-West trade increased in the last quarter of 1953. The peak post-war year for East-West trade was 1948.

Trade within the Communist bloc, including trade with China, was only about 13 per cent of its total prewar trade.[2] Estimates of the E.C.E.[3] suggest that the value of such intra-bloc trade rose about twenty times between 1938 and 1951, and must therefore represent about three-quarters of the total trade of Communist countries. The volume of Soviet trade rose threefold between 1938 and 1951[4] and the U.S.S.R. now does more than half of intra-bloc trade, whereas pre-war she did less than a fifth. The value (though not the volume) of Soviet trade with the non-Communist world has also expanded since pre-war, whereas that of its partners has fallen. The total trade of the Communist bloc (including intra-bloc trade) has probably risen proportionately more than the trade of the non-Communist world since pre-war, and the foreign trade of the U.S.S.R. has risen considerably more than the world average.

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[1] i.e. U.S.S.R. Poland, Czechoslovakia, Hungary, Roumania, Bulgaria, Eastern Germany and Albania.

[2] In 1938 the total trade within the present European Communist bloc, including trade with China, was as follows : Exports f.o.b. $174 million, imports c.i.f. $160 million. Cf. *The Network of World Trade*, League of Nations, 1942.

[3] *Economic Bulletin for Europe*, Vol. 4, No. 3, . 37.

[4] Nesterov's estimate, cf. *International Economic Conference in Moscow*, Moscow; 1952, p. 62.

Reasons for the Change since Pre-War

The fall in the importance of East-West trade has been due to fundamental changes in the economic structure and the policy goals of East European countries, to the separation of East and West into two economic blocs with different kinds of commercial institutions and payments arrangements, to the growing degree of internal integration of these two areas and, to a minor extent, to strategic restrictions on trade.

The main changes within the Communist bloc which have affected trade with the non-Communist world are as follows :

(*a*) The domestic economies and the foreign trade of East European countries are controlled by planning bodies whose guiding principle in relation with the West is autarky to a degree which ensures invulnerability to the repercussions of capitalist depressions, and to Western political or strategic embargos.

(*b*) Almost all East European trade is in the hands of state trading agencies, and trade restrictions such as tariffs which theoretically exist within the Communist bloc have little effect. Payments and credit arrangements are presumably much easier between Eastern countries than they are between East and West. Even in the absence of any autarkic Eastern policies, the close political relationships and the similarity of economic institutions in different East European countries would tend to promote intra-bloc trade at the expense of East-West trade.

(*c*) Apart from the positive effects of East European integration in developing trade within Eastern Europe, the absence of East European countries from Western regional organisations, such as the E.P.U., the O.E.E.C. liberalisation programmes and the U.S. aid programme, has had a negative effect on the development of East-West trade. There have been practically no cases of long-term credit arrangements in East-West trade, apart from the Swedish loan to Russia, and recent Russian offers of credit to Argentina.

(*d*) Most of the East European countries, except Czechoslovakia, had predominantly agricultural economies in pre-war years and have since been undergoing rapid industrialisation. Such a process would normally have led to large imports of capital goods from the West and possibly to Western investment. However, Western entrepreneurs have not been invited, and are not willing, to place funds in Eastern Europe, and the alternative methods of financing the process have reduced or diverted Eastern export availabilities. The industrialisation process has had to be financed by transfer of domestic resources from agriculture to industry, by cutting imports of consumption goods and substituting imports of capital goods and raw materials. In the satellite countries, there has been a decline in the production and export surpluses of most of the agricultural products which were exported to the West in pre-war years, particularly grains. An exception seems to be sugar beet. Not only have many agricultural export surpluses declined, but many of them have been diverted from the West to intra-bloc trade.

U.S.S.R. and Other Members of the Communist Bloc

Not all of the above reasons for the diminution of trade with the West apply equally to the U.S.S.R. as to its partners. Soviet trading policy towards the West has not changed since pre-war, but the relations between the U.S.S.R. and Eastern Europe, and between Eastern Europe and the West, are vastly different. Soviet capital goods, technical services, agricultural equipment and materials such as cotton, should fulfil many of the import requirements of Russia's partners. There are also many commodities which these countries can supply to the U.S.S.R., e.g. Czech consumer goods, Roumanian oil, Polish coal and zinc, and there are other materials such as tungsten which China can supply. However, Russian needs for capital equipment and for many of the materials which she imported in pre-war years cannot be satisfied by trade with the satellites, and must be derived from the West, indeed her requirements for certain Western materials, such as rubber, have grown as her economy has expanded.

In fact, Russian exports to the West rose in value from $224 million in 1938 to $421 million in 1952.[1] In the same period, the exports of East European countries to the West fell from $819 million to $670 million. Since 1938, Russia has acquired the Baltic states, whose exports to the West in 1938 amounted to $102 million, but it is unlikely that this area is still responsible for a third of Soviet exports. In 1938, the U.S.S.R. accounted for 20 per cent of the exports of the present Eastern bloc to the West, the Baltic states for 9 per cent, and the satellites for 71 per cent; in 1951 the U.S.S.R. exported 31 per cent of the Communsit bloc total, and in 1952 38 per cent.[2] The share of the U.S.S.R. in the exports of the Eastern bloc has not risen consistently in the post-war years, but it seems likely that it will continue to rise in the long run, and it seems to have risen in 1953.[3] The estimates of future levels of trade which were put forward at the Moscow Conference in 1952 indicated that the share of the U.S.S.R. in the East-West trade of the Eastern bloc might rise to just under a half in 1953–55.[4]

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[1] Cf. *Direction of International Trade*, Series I, Vol. IV, no. 1/2 pp. 421–433, and *The Network of World Trade*. League of Nations, 1942.

[2] Just as the territory of the U.S.S.R. has been increased by the addition of the Baltic states and parts of the pre-war territory of East European countries, so has the trade of the other East European countries been swollen by the addition of Eastern Germany. In 1936, East German exports to Western Germany have been estimated at RM 2180 million (i.e. $876 million) and her imports from Western Germany at RM 2440 million, (i.e. $979 million, or more than total East European pre-war imports). Cf. E.C.E. *Economic Bulletin for Europe*, 1949, Vol. 1, no. 3.

[3] Cf. The indications given on the basis of incomplete data for 1953 in the U.N. *Monthly Bulletin of Statistics*, April 1954, p. vii.

[4] Cf. *Economic Bulletin for Europe*, E.C.E. Geneva, Vol. 4, No. 3, 1952, p. 51.

IMPACT ON THE NON-COMMUNIST WORLD

The fall in the relative importance of East-West trade has had an uneven impact on different parts of the non-Communist world.

Apart from the fall in its volume, the pattern of East-West trade has changed since pre-war, and within the post-war period. The share of North America has declined greatly. Europe's share has remained predominant and fairly stable, whilst the share of the rest of the world, mainly primary producers, has risen. This can be seen in Tables II and III.

TABLE II

East European Exports by Destination
(F.o.b. equivalent)

($ million)

	Total	*U.S. and Canada*	*Finland Spain and, Yugo-slavia*	*O.E.E.C. countries*	*of which: United Kingdom*	*O.S.A.*	*Rest of World*
1938 ...	1,145	69	58	904	225	36	78
1948 ...	1,391	120	207	870	189	63	131
1950 ...	939	88	58	665	159	55	73
1951 ...	1,178	77	92	808	240	79	122
1952 ...	1,084	46	130	752	211	50	106
1953 ...		40	148	641	186		

Sources and Methods: cf. Annex.

TABLE III

East European Imports by Origin
(F.o.b. equivalent)

($ million)

	Total	*U.S. and Canada*	*Finland Spain and Yugo-slavia*	*O.E.E.C. countries*	*of which: United Kingdom*	*O.S.A.*	*Rest of World*
1938 ...	969	153	26	646	125	47	97
1948 ...	1,434	140	308	618	120	181	187
1950 ...	1,013	30	80	622	87	162	119
1951 ...	1,211	4	146	720	112	202	139
1952 ...	1,114	2	174	703	146	111	124
1953 ...		9	167	612	75		

Source and Methods: cf. Annex.

United States

The low level of trade between the U.S. and Eastern Europe is due to the U.S. embargo on trade. This trade has declined heavily since 1948 when it was higher than pre-war in value. U.S. exports to the Communist bloc have practically ceased since 1950, although they jumped suddenly in October 1953. As the U.S. continued to import from the Communist bloc, the latter acquired dollars to finance purchases in other areas. The total disappearance of U.S. exports has probably helped sales of European manufactured goods, and of Egyptian and Pakistan cotton, to the Communist bloc.

Europe

Although the share of Europe in East-West trade is about the same as pre-war, the distribution of this trade amongst European countries has greatly changed. The countries whose share of trade with the East has dropped are those on the periphery of the Eastern countries and whose pre-war trade was mainly with the satellites—chiefly, Austria, Switzerland, and Greece. The countries whose share has grown are the Scandinavian countries, principally Finland, whose economy has been linked with the East through reparations payments, and which became the largest trader with the Eastern bloc in 1953, even though reparations have now ceased. Iceland, Norway and Denmark all increased their trade with the East in 1953, particularly Iceland, which has become greatly dependent on the East since the British embargo on her fish trade. Swedish trade with the Eastern bloc increased greatly after the 1946 loan to Russia, but was almost halved in 1953, when this loan ran out. The U.K.'s trade with the East fell in 1953, British exports to this area being at their lowest post-war level. The trade of Yugoslavia and of Spain with Eastern countries has practically disappeared for political reasons. The trade of individual West European countries with Eastern Europe is shown in Table IV.

One of the most striking features of the contrast between post-war and pre-war trade of European countries with the East is the very low share of

TABLE IV

West European Trade with East European Countries
($ million)

		Turnover		*Western Trade Balance*
	1938	*1952*	*1953*	*1953*
Total	1848.3	1860.2	1701.4	— 84.0
Finland	20.4	319.1	330.4	+ 1.4
United Kingdom	429.8	381.1	281.8	—131.5
Sweden	68.5	225.9	126.6	+ 7.1
Germany	570.2	107.4	120.0	— 12.7
Austria	149.8[1]	137.7	117.4	— 0.7
Netherlands	86.4	90.5	110.2	+ 3.4
Belgium, Luxembourg	86.8	91.6	102.7	+ 26.6
France	95.3	97.4	96.7	+ 5.0
Denmark	24.0	72.8	82.2	+ 5.4
Switzerland	67.6	77.9	68.8	— 0.1
Norway	26.8	60.4	67.6	— 8.3
Turkey	28.3	40.8	58.6	— 0.2
Iceland	0.4	6.5	14.8	+ 2.3
Greece	32.9	1.0	10.8	+ 3.6
Portugal	2.8	7.9	6.4	+ 4.9
Ireland	4.6	2.0	2.2	— 1.7
Yugoslavia	38.3	0.5	—	
Spain	14.8	—	—	

[1] 1937.

Source : *O.E.E.C. Statistical Bulletins*, and *Direction of Inrernational Trade.* For Greece, Belgium and Finland, the figures for 1953 are for the first 11 months at an annual rate. Turnover is the sum of, and trade balance is the difference between, exports f.o.b. and imports c.i.f.

Germany since the war. In 1938, Germany was responsible for about a third of West European trade with Eastern Europe (and in 1928, for about a half), and her share of Soviet trade was as important as her share in the trade of the satellites. In 1953, however, Germany did only 7 per cent of European East-West trade. The contrast between Western Germany's pre-war and post-war trade with the East is even more striking when we remember that the Communist bloc includes Eastern Germany.

The changing relative importance of East-West trade in the total trade of individual West European countries is shown in Table V. It can be seen that East-West trade is less important than in 1938 to all West European countries except Denmark, Iceland and Finland. For O.E.E.C. countries as a whole East-West trade has declined from 8 per cent of total trade in 1938 to less than a third of this in 1953.

TABLE V

East-West Trade Turnover as a Percentage of Total Trade Turnover of European Countries

	1938	*1952*	*1953*	*Difference between 1938 and 1953*
	1	2	3	4=(1–3)
Austria	31.5	11.9	10.8	—20.7
Greece	14.9	0.2	2.6	—12.3
Germany	12.2	1.4	1.5	—10.7
Switzerland	10.1	3.4	2.9	— 7.2
Italy	8.8	3.8	2.7	— 6.1
Turkey	12.1	4.4	6.3	— 5.8
U.K.	6.1	2.2	1.7	— 4.4
Netherlands	6.4	2.1	2.5	— 3.9
Belgium-Luxembourg	5.7	1.9	2.2	— 3.5
Sweden	7.7	6.9	4.2	— 3.5
France	4.3	1.1	1.2	— 3.1
Ireland	1.4	0.2	0.3	— 1.1
Norway	5.6	4.2	4.8	— 0.8
Portugal	1.8	1.4	1.2	— 0.6
Denmark	3.5	4.1	4.4	+ 0.9
Iceland	1.7	6.8	13.3	+11.6
Total O.E.E.C. countries	8.01	2.59	2.35	— 5.66
Yugoslavia	16.6	—	—	—16.6
Finland	5.6	21.1	30.4	+24.8

Source: As for Table IV.

Rest of the World

The imports of Eastern Europe from countries outside Europe and North America rose 63 per cent in value between 1938 and 1952. The Overseas Sterling area's share of this trade has risen since pre-war. The fact that this trade has risen in value is partly due to the rise in raw material prices, but it is partly a reflection of the inelastic demand of Eastern Europe for certain raw materials. East European imports from these primary producing areas have been concentrated more heavily on textile fibres and rubber than they were in pre-war years, and imports of items such as coffee, cocoa, tea, and spices appear to have declined.[1]

Commodity Pattern of East-West Trade

East European Exports

The exports of Eastern Europe are mainly crude materials and foodstuffs. The most important items are grain, timber, coal, minerals, and furs. Some manufactured goods are also exported, e.g. cars to Norway and agricultural machinery to Persia, but apart from the question of comparative costs, it is not likely that there will be large imports of machinery or equipment from a source where supplies of spare parts and engineers may not be forthcoming. Table VI shows the composition of East European exports in 1952 and it can be seen that only 24 per cent of these were manufactured goods.

Table VI

Commodity Composition of the Non-Communist World's Imports c.i.f. from Eastern Europe, 1952

(*$ million*)

	(1) *Imports of Western Europe and N. America*	(2) *Rest of World*	(3) *Total non-Communist World*	(4) *Column 3 as a percentage*
Food, Beverages, Tobacco, Oils and Fats	453	23	476	40
of which:				
Cereals	*263*			
Sugar	*53*			
Crude Materials	158	60	218	18
of which:				
Timber	*62*			
Mineral Fuels	219		219	18
of which:				
Coal	*193*			
Manufactures	206	90	296	24
Total	1,036	173	1,209	100

Source: *O.E.E.C. Foreign Trade Bulletins* for O.E.E.C. countries the U.S. and Canada, *E.C.E. Economic Bulletin for Europe*, Vol. 5, No. 2, for Finland. For the rest of the world, the figures are guesses based on knowledge of the commodities normally exported by particular countries.

East European Imports

Eastern Europe's imports consist mainly of raw materials and capital goods. Western Europe is at present the only source of capital goods for the Communist bloc, as U.S. exports have been eliminated. In 1952, about $520 million (f.o.b.) worth of East European imports consisted of capital goods or manufactured industrial materials, i.e. just under half of total imports from the non-Communist world. The most important items were iron and steel, ships and boats, electric and mining machinery.

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[1] Eastern Europe's imports of rubber have been much higher in post-war years than before the war. The average 1934–38 imports were 58,000 metric tons, in 1948 131,000, in 1949 155,000, in 1950 118,000, in 1951 87,000, in 1952 171,000. Cf. *F.A.O. Yearbook* and the *Rubber Statistical Bulletin*. Imports of wool and cotton have been about as high as in pre-war years, and from the fragmentary information published by the F.A.O. and I.C.C.I.C.A., it appears that imports of coffee, cocoa, tea, tobacco and spices have been much lower than pre-war.

About $120–150 million worth of East European imports from Western Europe in 1952 were consumers' goods, the most important item being prefabricated houses, and most of the rest being food. A small amount of East European imports from primary producing countries are also food items, such as beverages, and, until 1953, caviare from Iran. These food imports probably amounted to about $40 million in 1952. In 1953, East European imports of food from Iceland, (fish), Denmark, and Australia (butter), rose above 1952 levels, but it seems highly unlikely that East European imports of consumer goods were greater than $200 million in 1953.

TABLE VII

Commodity Composition of the Non-Communist World's Exports f.o.b. to Eastern Europe, 1952

(*$ million*)

	(1) *Western Europe and N. America*	(2) *Rest of World*	(3) *Total Non-Communist World*	(4) *Column (3) as a percentage*
Food, Beverages, Tobacco, Oils and Fats	95	40	135	12
Crude Materials	265	195	460	41
of which:				
rubber	*92*		*130–150*	
textiles and other fibres	*50*		*160–170*	
timber, pulp and paper... ...	*64*			
Manufactures	520		520	47
Total	880	235	1,115	100

Source: As for Table VI.

Western Europe supplied a large amount of raw materials to Eastern Europe in 1952, amounting to about $265 million. The most important item was British re-exports of rubber, and other items of importance were fibres and timber products. With the fall in British re-exports in 1953, the relative importance of raw materials in European shipments to the East has dropped.

Re-exports of the U.K. to Eastern Europe were much higher than exports of domestic manufactures in 1951 and 1952, but re-exports fell drastically by $70 million in 1953, whilst exports of domestic manufactures remained stable.

TABLE VIII

U.K. Exports and Re-Exports f.o.b. to Eastern Europe
(*$ million*)

	1948	*1949*	*1950*	*1951*	*1952*	*1953*
Re-exports	34	22	15	67	103	32
Exports of Domestic Produce ...	86	109	72	45	43	43

Source: *Accounts relating to the Trade and Navigation of the U.K.* The first nine months of 1949 are converted at the rate of $4.03, the last three months at $2.80.

Most of these re-exports in 1951 and 1952 consisted of rubber shipments from the U.K. to the U.S.S.R. The commodity composition of U.K. re-exports can be seen in Table IX.

TABLE IX

U.K. Re-Exports f.o.b. to Eastern Europe
($ million)

	1951	*1952*
Cocoa	2.0	1.0
Spices	0.1	3.1
Crude Rubber	56.7	91.5
Wool	6.0	6.0
Other	2.5	1.6
Total	67.3	103.2

Source : O.E.E.C. *Foreign Trade Bulletins.*

Europe is about as important as a supplier of raw materials to the Eastern bloc as the rest of the world. East European imports from the world outside Europe amounted to $235 million in 1952, and nearly all of these imports consisted of raw materials. The most important materials involved were rubber, wool and cotton; other items such as beverages being lower than in pre-war years because of East European austerity, and metals partly because of strategic embargos and partly because of growing Soviet autarky.[1]

Half of the extra-European imports of the Communist bloc came from the Sterling area in 1952, roughly $111 million. The most important traders with it within the Sterling area were Pakistan (cotton and jute), Malaya (rubber), the Gold Coast (cocoa), Australia and New Zealand (wool).

The other important trading partners of the Communist bloc were Egypt (cotton), Iran (caviare) Indonesa (rubber), and Latin America.

TABLE X

Extra-European Exports f.o.b. to Eastern Europe, 1953
($ million)

Sterling Area		*Other*	
Pakistan	35.8	Egypt	64.2
Malaya	30.3	Iran...	23.0
Gold Coast	12.0	Latin America	19.5
New Zealand	10.0	Indonesia	9.8
Australia	9.6	Others	9.8
India	6.2		
Other Overseas Sterling area	7.1		
Overseas Sterling area ...	111.0		126.3

Sources : The Commonwealth and the Sterling Area 73rd Statistical Abstract, 1949-52, H.M.S.O., 1953, and *The Direction of International Trade,* U.N., 1951.

BALANCE OF PAYMENTS

In pre-war years, Eastern Europe had a trade surplus with Western European countries, which was used to finance imports from non-European primary producers and from the U.S., and also to service Western loans. In the post-war period, Eastern Europe has had a favourable balance with

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[1] The development Soviet mineral output is described in great detail by D. B. Shimkin *Minerals : A Key to Soviet Power.* Like the U.S., the U.S.S.R. has fostered high cost domestic production for strategic purposes. In pite of these efforts, it seems likely that the Eastern bloc would purchase copper, lead, nickel, and tin from the outside world if strategic restrictions were removed.

Western Europe, and since 1949, with the U.S. These favourable balances have been used to finance imports from primary producers, principally in the Sterling area.

In Europe, the U.S.S.R. has had a large deficit with Finland, which was covered very largely by Finnish reparations payments. Finnish reparations were terminated in 1953, and 1953 was the first post-war year in which Finnish trade with the East was in balance. Most O.E.E. C.countries have a fairly evenly balanced trade with the Eastern bloc, owing to the bilaterel character of trade, and the limitations on swing credits. Belgium, Portugal and Switzerland have usually had relatively high surpluses with the East. The Eastern bloc has regularly had a surplus with the U.K. which has become an increasingly important item in their European trade.

In 1953, there were fairly large shipments of Russian gold, platinum and silver to Western markets in spite of the fact that the U.K. deficit with the Eastern bloc rose by $42 million in 1953. This was probably due to the fact that the Eastern bloc had a deficit with O.E.E.C. countries other than the U.K. for the first time in 1953, that the Swedish loan of 1946 ran out in 1953, that the surplus with the dollar area fell in 1953, and that East European orders increased at the end of 1953. It may also have been the case that the East European deficit with primary producers rose in 1953, but the evidence for this is not yet available.

Table XI

Eastern Europe's Trade Balances
(*$ million*)

With	*1938*	*1948*	*1950*	*1951*	*1952*	*1953*
U.K.	+ 84	+ 90	+ 90	+154	+ 89	+132
Rest of O.E.E.C. Europe	+133	+258	+ 27	+ 25	+ 43	— 31
Finland	+ 11	— 65	— 16	— 44	— 29	— 2
Overseas Sterling area		—117	—103	—119	— 59	
U.S. and Canada	— 62	— 21	+ 58	+ 73	+ 44	+ 27

Source: The figures are taken from the trade returns of countries trading with Eastern Europe. For the United Kingdom, O.E.E.C. Europe, The United States and Canada, the figures are derived from *O.E.E.C. Foreign Trade Bulletins*, Series I. For Finland from *Direction of International Trade*, and for the Overseas Sterling Area from *Commonwealth and Sterling Area* (73rd and 72nd Statistical Abstracts). Our definition of the Overseas Sterling Area is a little arbitrary as it excludes the United Kingdom, Ireland, Iceland, Burma and Iraq, but includes the Anglo Egyptian Sudan. For the United States and Canada, the trade balance is the difference between f.o.b. imports and exports; for other areas, it is the difference between c.i.f. imports and f.o.b. exports. A plus sign indicates a favourable East European balance.

Summary

The volume of East-West trade is now about a third of its pre-war level, but trade within Eastern Europe has risen considerably, so that the total trade of the communist countries is higher than pre-war. The U.S.S.R. is the most important trader within the communist bloc and in East-West trade, and its importance is still growing. The pattern of East European imports and, to a lesser extent, of its exports has changed. Trade with the U.S. has declined due to strategic controls, and trade with primary producing countries in the Sterling Area and elsewhere is relatively much more important. The pattern of European East-West trade has changed since pre-war, with a remarkable decline in Germany, and a large increase in the relative, and, in some cases the absolute, importance of Scandinavian countries. East European imports are concentrated largely on capital goods and on a limited range of raw materials of which the most important are fibres and rubber. Because of the changes in its pattern of trade, the balance of payments of the communist bloc with other trading areas differs considerably from the pre-war situation.

Possible Future Developments

There have recently been many signs that the communist bloc would like to increase its level of imports from the outside world. It is likely that any appreciable increase in Eastern demand will be for capital equipment. East European countries have not given up their gaol of industrialisation although they have recently slackened their pace of development, and the potential demand of the bloc (especially if China is included) is enormous. East European demand for raw materials can be expected to move *pari passu* with increases in industrial production. It seems reasonable to suppose that there will be a long-run increase in imports of rubber, but perhaps not for all textile fibres, unless consumption growth outstrips the very rapid planned increase in Soviet cotton production.[1] It is likely that there would be a jump in the imports of non-ferrous metals for stockpiling purposes if strategic controls were dropped. There does not seem to be much likelihood of substantially increased imports of consumer goods: there were increases in food purchases in 1953 which may continue in future, but these purchases are not likely to make a sizeable addition to aggregate East-West trade, although they are important to Iceland and Denmark.

It has been suggested that one of the factors restricting the development of East-West trade is the lack of export availabilities in Eastern Europe. There are, of course, limits to the amount of goods which the East can supply, but it is doubtful whether this is an effective limiting factor for the level of trade. The U.S.S.R. itself is probably much more able to make supplies available for export than its partners are. She has already increased her supplies of grain for export above pre-war levels, and there is no reason to suppose that she cannot supply more, especially if she attains even a fraction of her programme for expanding cereal production. Her potential for expanding timber exports is probably considerable. She also has manganese, petroleum, and other minerals, furs, possibly certain manufactured goods such as agricultural machinery, and, in the last resort, gold. Taking these resources into account, and the possibilities of diverting items such as Polish coal or Roumanian oil from intra-bloc trade, the Eastern bloc could perhaps increase its exports to the degree suggested by Orlov in 1952.[1]

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[1] Soviet cotton production is planned to increase 55–65 per cent between 1951 and 1955. Cf. *Economic Survey of Europe in* 1953, p. 51, which also shows absolute figures for the area and production of cotton planned in 1955. Cf. pp. 267 and 269. There seems to be an error in these figures as the area planned for 1955 is 3 million hectares, and an output of 6 million tons is planned. As the yield of Soviet cotton (lint) per hectare in 1934–38 (cf *F.A.O. Year book, Production*) was 3.2 quintals, it would seem that the 1955 crop will be nearer to 1 million tons than to 6 million.

However, if the communist bloc is to increase its exports two or threefold, it is likely to meet with serious marketing difficulties which will worsen its terms of trade, and force it to change certain of its trading methods. In the case of coal and cereals, other major exporting countries hold large stocks, and might quickly respond to East European attempts to sell at low prices. With the disappearance of the dollar problem (at least temporarily) for most European countries, many of the economic and institutional considerations which previously favoured European East-West trade have disappeared. The most important West European commodity markets have been freed from controls and dollar premia have disappeared; state trading and long-term contracts are also diminishing rapidly in importance. If this tendency continues, Eastern Europe will have to deal, to an increasing extent, with private traders in multilateral trading conditions. If there were a recurrence of the dollar shortage or if there were a recession in activity in Western Europe, these trends might be reversed, and the task of Eastern Europe would be considerably easier.

One cannot judge the extent to which the communist bloc is willing to push its sales effort in order to buy goods from the West, or to what extent its willingness to do so would be affected by an easing of the present Western strategic restrictions. It would seem that the level of trade suggested by Orlov in 1952, i.e., about the pre-war level, would be perfectly feasible if the Eastern bloc were willing to face the terms of trade this would involve. Such an increase would not be a spectacular increment to world or European trade (probably about 5 per cent), but it would be more important to certain countries than to others.

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[1] i.e., From two and a half to three times the 1951 level, cf. *International Economic Conference in Moscow*, p. 159.

ANNEX. SOURCES FOR TABLES I, II AND III

1938 figures are derived from *The Network of World Trade*, League of Nations, 1942. This sources gives East European countries' imports c.i.f. and exports f.o.b.: the c.i.f. figures are reduced by 10 per cent to provide an f.o.b. basis for these tables. The figures for post-war years are taken from the trade returns of the non-Communist world, where export to Eastern Europe are recorded f.o.b. The trade returns for the United States and Canada also show imports from Eastern Europe f.o.b., and the columns in Tables II and III relating to the ' Rest of the World ' are also taken from f.o.b. figures given in *Direction of International Trade*, United Nations, 1953, Series T Vol. IV, No. 1/2, pp. 421–433. The imports of other areas from Eastern Europe are given c.i.f. in the sources we have used, and were converted to a f.o.b. basis by a 10 per cent deflation. For O.E.E.C. countries, the United States and Canada, the *O.E.E.C. Foreign Trade Bulletins*, Series I, were used, for the Overseas Sterling Area (O.S.A.) the sources were *Statistical Abstract for the Commonwealth* (72nd No.) and *The Commonwealth and Sterling Area* (73rd Statistical Abstract). This group includes all sterling members of the Commonwealth and the Anglo-Egyptian Sudan, except the United Kingdom, Iceland and Ireland. We have added Iraq and Burma to this group from the figures given in *Direction of International Trade* Series T, IV, No. 1/2. The figures for Finland, Spain and Yugoslavia are also derived from this later source. *The Director of International Trade* cited contains inconsistencies between the data given for individual countries and the trade matrix on pp. 421–433 ; for this reason we have preferred to use other sources where possible as these are internally more consistent, and where we have used the U.N. trade figures, we have taken figures given in the Country tables wherever possible.

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